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Daily Report

Latin America

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CONTENTS

INTER-AMERICAN AFFAIRS

Foreign Ministers Meet in Montevideo on Peru, Ecuador 1
Peru's Goldenberg Cited on U.S. Visit *[Lima Radio]* 1
Meeting To Assess Aborted Cease-Fire *[Lima Radio]* 1
Di Tella: Guarantors To Pressure Parties *[Madrid EFE]* 2
Meeting Begins Amidst 'Great Expectations' *[Lima TV]* 2
Ecuador, Peru Agree to 'Immediate' Cease-Fire *[Madrid EFE]* 3
Brazilian General: Cease-Fire Observers Should Be Armed *[Madrid EFE]* 3
Mercosur, Andean Integration Talks 'Satisfactory' *[TELAM]* 3
Mexico Suspends Trade Talks With Northern Triangle *[PRENSA LIBRE 24 Feb]* 4

CARIBBEAN

Cuba

Economists' Association Meeting Continues 5
Economic Minister Interviewed *[Havana Radio]* 5
Martinez Addresses Congress *[Havana Radio]* 5
Jordan Views Food Production *[Havana Radio]* 6
Melendez Discusses Real Estate Deals *[Havana TV]* 7
Ministers View Business Practices *[PRENSA LATINA]* 7
Torres Reviews Sugarcane Production *[Havana Radio]* 8
Castro Sends 'Special Message' *[Havana Radio]* 8
Recommendations Made To Renovate Economy *[Havana Radio]* 9
Ministers Praise Efforts of National Hotel Chain *[Havana Radio]* 9
Lage Speaks to Presidents of Havana's People's Councils *[Havana Radio]* 9
Discusses Public Transport at Meeting *[Havana Radio]* 9
Foreign Minister Robaina Interviewed on Relations *[DIARIO LATINO 22 Feb]* 10
Part 2 of Interview *[DIARIO LATINO 23 Feb]* 11
U.S. Termed 'Isolated Goliath' Over Blockade *[PRENSA LATINA]* 12

MEXICO

Police Arrest Former President Salinas' Brother *[NOTIMEX]* 14
Prosecutor on Evidence Against R. Salinas *[Mexico City Radio, TV]* 14
Salinas Denies 'Cover-Up' in Murder Investigation *[Mexico City Radio]* 16
Zedillo Demands Solution of Colosio Murder *[Mexico City TV]* 17
PRI Demands Thorough Investigation of Colosio Murder *[NOTIMEX]* 17
Companies Canceling Investment Plans, Selling Assets *[LA JORNADA 27 Feb]* 18
Banking Commission Decrees Preventive Reserves Creation *[UNOMASUNO 24 Feb]* 19
Responsibility for Current Crisis Examined *[LA JORNADA 19 Feb]* 19
Conglomerate Pays EC Bond Maturities *[NOTIMEX]* 20

CENTRAL AMERICA

Guatemala

URNG Letter Accepts UN Proposal for Peace Talks *[PRENSA LIBRE 25 Feb]* 22

Nicaragua

Growth in Banking Activity Noted *[LA TRIBUNA 11 Feb]* 22
Update on Property Legislation *[EL SEMANARIO 26 Jan-1 Feb]* 23

1996 Political Alliances Previewed *[EL SEMANARIO 19-25 Jan]* 24
LA PRENSA Wins Preference Poll *[LA PRENSA 12 Feb]* 25
New Media Director Profiled *[EL SEMANARIO 26 Jan-1 Feb]* 25

Panama

Planning Minister Outlines Economic Policy *[EL SIGLO 21 Feb]* 26

SOUTH AMERICA

Argentina

Di Tella: Curbs in Spending 'Painful But Necessary' *[TELAM]* 29
Commentary Views Economic Prospects, Budget Cuts *[NOTICIAS ARGENTINAS]* 29
Popular Christian Party To Back Menem, Duhalde *[NOTICIAS ARGENTINAS]* 30
Editorial Views Aftermath of Mexican Crisis *[LA NACION 19 Feb]* 30

Bolivia

Government, Coca Farmers Discuss 4-Point Chapare Policy *[PRESENCIA 11 Feb]* 31
Coca Control Agency: Chapare Plantations Not Reduced *[LOS TIEMPOS 21 Jan]* 32
Commander Facilitates Drug Gang Investigations *[PRESENCIA 1 Feb]* 32
'Secret' Document Reveals Navy Involvement With Drugs *[PRESENCIA 12 Feb]* 32

Brazil

Diplomats in U.S. Focus on Business Intelligence *[O GLOBO 27 Feb]* 33
Army Buys 57 Eryx Anti-Tank Missiles From France *[FOLHA DE SAO PAULO 24 Feb]* 33
Labor, Management Disagree on 'Social Clause' in WTO *[GAZETA MERCANTIL 23 Feb]* 34
Cigarette Manufacturer, Cuban Joint-Venture Viewed *[AGENCIA ESTADO]* 35
Ministers Justify Telecommunications Amendment Proposal *[GAZETA MERCANTIL 17 Feb]* ... 35
Communications Minister on 'Easing' Monopoly *[ISTOE 22 Feb]* 36
Views Telecommunications Policy, Goals *[FOLHA DE SAO PAULO 23 Feb]* 37
Discusses State Telephone Companies *[GAZETA MERCANTIL 23 Feb]* 38
Embratel, Telebras, ECT To Remain Public Companies *[O ESTADO DE SAO PAULO 21 Feb]* .. 38

Chile

Consultant Assesses Bilateral Trade Ties With Russia *[EL MERCURIO 26 Jan]* 39

Colombia

Foreign Minister on U.S. Certification, Drug Fight *[Santa Fe de Bogota TV]* 40
Defense Minister on U.S. Certification *[Santa Fe de Bogota TV]* 40
Minister: Noncertification Would Not Affect Economy *[Santa Fe de Bogota TV]* 41
Samper Interviewed on Drug Policy, Cuba *[Madrid EL PAIS 26 Feb]* 41
New Program To Fight Corruption Outlined *[EL TIEMPO 3 Feb]* 42
Comptroller Introduces Anti-Corruption Plan *[EL ESPECTADOR 3 Feb]* 44
'Skepticism' Voiced Over Anti-Corruption Plan *[EL TIEMPO 8 Feb]* 44
ANIF, Fedesarrollo Study Economic Performance *[EL TIEMPO 9 Feb]* 45

Ecuador

Defense Minister Pledges Commitment to National Honor *[AFP]* 46
Joint Command Bulletin Reports Sporadic Skirmishes *[Quito Radio]* 46
Cease-Fire Viewed as 'Not Hopeful' *[EL COMERCIO 22 Feb]* 47
President Cautions Against 'Betrayal of People' *[LA HORA 22 Feb]* 47

Paraguay

Wasmosy Calls Possible U.S. Blacklist Decision 'Unfair' *[ABC COLOR 28 Feb]* 48

Peru

Subversives Attack U.S. Embassy, Police Stations *[AFP]* 48
Foreign Minister Views Demarcation of Border *[Madrid EFE]* 49
Armed Forces Command Chairman Inspects Base *[Lima Radio]* 49
Affirms Control of Zones *[Lima TV]* 50
Daily Views Ecuador's 'Desperate Arms Race' *[LA REPUBLICA 13 Feb]* 50
Commentary Terms Itamaraty Declaration 'Shameful Episode' *[LA REPUBLICA 18 Feb]* 53

Uruguay

Lacalle, in Farewell Address, Thanks Citizens for Support *[Lima Radio]* 54
Ecuador's Duran-Ballen Arrives for Sanguinetti Inauguration *[Madrid EFE]* 54
Criticizes Guarantor Countries *[Madrid EFE]* 55
Sanguinetti Interviewed on Peru-Ecuador, Mexico, Politics *[VEJA 22 Feb]* 55

Venezuela

Government To Declare State of Emergency in Apure, Amazonas *[Madrid EFE]* 58
Minister Agrees To Create Economic Cabinet With Colombia *[ECONOMIA HOY 23 Feb]* 59

Foreign Ministers Meet in Montevideo on Peru, Ecuador

Peru's Goldenberg Cited on U.S. Visit

PY2802233995 Lima Radio Programas del Peru Network in Spanish 2120 GMT 28 Feb 95

[Relay from Montevideo, Uruguay, by Carlos Alvarado Chaves]

[FBIS Translated Text] Directo en Directo. It is now 1820 [2120 GMT] in Montevideo, Uruguay, and the temperature is approximately 27 degrees centigrade.

President Alberto Fujimori has arrived in Montevideo, Uruguay, to participate in the inauguration, for the second presidential term, of Uruguayan President-elect Julio Maria Sanguinetti.

The Peruvian president was received at Carrasco International Airport by Uruguayan Vice President Gonzalo Aguirre and the Peruvian ambassador to Uruguay, and accorded the honors due his high position.

The news here in Uruguay is focused on Peruvian President Alberto Fujimori and Ecuadoran President Sixto Duran-Ballen, on what is being called here the crucial international meeting of foreign ministers of Peru and Ecuador and the foreign ministers of the guarantor countries of the Rio de Janeiro Protocol, who will be in Montevideo for the inauguration, for the second time, of President-elect Julio Maria Sanguinetti tomorrow, 1 March.

Alexander Watson, assistant secretary for inter-American affairs, will participate in the meeting on behalf of the United States, which is one of the guarantor countries. The guarantor countries will, in turn, be represented by their respective foreign ministers: Guido Di Tella for Argentina, Luiz Felipe Lampreia for Brazil, and Jose Miguel Insulza for Chile.

The Peruvian and Ecuadoran foreign ministers, as well as the foreign ministers of the guarantor countries of the Rio de Janeiro Protocol, have begun their meeting at the Brazilian Embassy in Uruguay.

Before entering the meeting, Peruvian Foreign Minister Efrain Goldenberg made the following exclusive comments for Radio Programas:

[Begin recording] [Unidentified reporter] How was your visit to Washington, Minister?

[Goldenberg] Well, it went well as far as the purpose of the trip is concerned. The purpose was to state the importance Peru attaches to the talks held in Rio de Janeiro and Brasilia and the agreement signed to strengthen peace, which, above all, will allow for the full implementation of the Rio de Janeiro Protocol, logically including the demarcation of the small stretch of the (?Ecuadoran-Peruvian) border.

[Reporter] What is your expectation, Mr. Minister, taking into account the fact that you are going to meet today with your Ecuadoran counterpart and the representatives of the guarantor countries?

[Goldenberg] We have a meeting scheduled for today. This meeting was suggested during my visit to Santiago, Chile. We do not have an established agenda, but if we manage to ensure that what we have in mind materializes, if what the two parties have promised to do is implemented, I think it will be a good start.

[Reporter] This was Peruvian Foreign Minister Efrain Goldenberg. [end recording]

Therefore, Montevideo, as of today and for the coming two days, will be the main scene of negotiations between Ecuador and Peru, engaged for the past five weeks in a militarized border conflict in the Condor Mountain Range zone, started by Ecuador.

Later on, we will have more information on the results of the meeting between Peruvian Foreign Minister Efrain Goldenberg, Ecuadoran Foreign Minister Galo Leoro, and the foreign ministers who represent the guarantor countries of the Rio de Janeiro Protocol here at the Brazilian Embassy in Uruguay.

This is a report from Montevideo, Uruguay, where, I reiterate, the temperature is 27 degrees centigrade. This is a report for Directo en Directo by Radio Programas special correspondent Carlos Alvarado Chaves.

Meeting To Assess Aborted Cease-Fire

PY0103005595 Lima Radio Programas del Peru Network in Spanish 0007 GMT 1 Mar 95

[Relay from Montevideo, Uruguay by Carlos Alvarado Chaves]

[FBIS Translated Excerpt] Good evening. It is 2107 [0007 GMT] in Montevideo, Uruguay.

We wish to inform you that while President Alberto Fujimori met in his suite at the Victoria Plaza Hotel with Uruguayan President-elect Julio Maria Sanguinetti, then with special Japanese Ambassador (Shigero Ita), and later on with his Chilean counterpart Eduardo Frei, the meeting of foreign ministers and deputy foreign ministers of Peru and Ecuador and the foreign ministers of the guarantor countries of the Rio de Janeiro Protocol started after a two-hour delay at the Brazilian Embassy in Uruguay.

President Fujimori did not make any comments to the media after the meetings with the aforementioned personalities.

We wish to point out that Foreign Minister Efrain Goldenberg, Ecuadoran Foreign Minister Galo Leoro, and the U.S. assistant secretary for inter-American affairs on behalf of the United States, which is one of the guarantor countries, as well as Foreign Ministers Guido Di Tella of Argentina, Luiz Felipe Lampreia of Brazil, and Jose Miguel Insulza of Chile are meeting to assess

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the situation stemming from the aborted cease-fire between Peru and Ecuador. It is believed that this first meeting of foreign ministers at the Brazilian Embassy will last approximately four hours. At the end of the meeting it will be known whether any conclusion has been reached regarding the armed conflict on the Peruvian-Ecuadoran border, started by Ecuador. [passage omitted]

Di Tella: Guarantors To Pressure Parties

PY0103011595 Madrid EFE in Spanish 2052 GMT 28 Feb 95

[FBIS Translated Text] Montevideo, 28 Feb (EFE)—On 28 February, Argentine Foreign Minister Guido Di Tella stated that it is "ironic" that while some countries in the Americas are making headway toward integration, "others, which are facing problems typical of the 19th century, are trying to solve them in a way befitting the 19th century, too."

Commenting on the conflict between Peru and Ecuador, Di Tella said in Montevideo that "it is really pathetic, tragic, and has no justification whatsoever because, regardless of the reasons that each of them may advance, resorting to an armed conflict is not the way to settle things."

Di Tella, who is a member of the Argentine delegation that has come to Uruguay to attend Julio Maria Sanguinetti's inauguration as president, participated today in a meeting between foreign ministers or representatives from the guarantor countries of the Rio de Janeiro Protocol (Argentina, Brazil, Chile, and the United States) and those from Peru and Ecuador.

The objective of this meeting is to make both feuding nations honor the Itamaraty Peace Agreement signed in Brasilia on 17 February under the auspices of the guarantor countries. This agreement put an end to the war between Ecuador and Peru, which had broken out for the same reasons that triggered an armed conflict between them back in 1941.

Referring to the meeting that will be held at the Brazilian Embassy in Montevideo, Di Tella pointed out: "We are going to compel them to fully respect the cease-fire."

The Argentine foreign minister, who in political circles claims to be the "driving force" behind the guarantors, noted that Ecuadoran Foreign Minister Galo Leoro and Peruvian Foreign Minister Efrain Goldenberg will be told that "what has happened or is happening at the battle front must have no bearing at all on the legal solution to this issue."

Di Tella played down the importance of some remarks made by Ecuadoran President Sixto Duran-Ballen, who accused guarantor countries of being remiss in seeking a lasting solution to the border dispute between his country and Peru.

The foreign minister said: "We are not lax in the least; moreover, we have established conditions so that we can begin solving the problem. We guarantors found that the feuding parties were the ones that were indeed remiss, since they have not taken the necessary measures to enforce the cease-fire."

Di Tella made these remarks following a ceremony in which he decorated Uruguayan Foreign Minister Sergio Abreu with the Grand Cross of the Order of the Liberator Jose de San Martin for his contribution to the special relationship existing between Uruguay and Argentina.

Abreu said that it was an honor and a source of great satisfaction for him to be presented with this decoration, since it was a distinction of Uruguay's foreign policy. He then reported that he had met with the Ecuadoran foreign minister first and then with the Peruvian foreign minister.

The Uruguayan foreign minister said: "Peace constitutes one of Uruguay's fundamental tenets. We Uruguayans have given our wholehearted support so that this meeting will result in concrete and lasting solutions that will put an end to hostilities."

Abreu acknowledged that it is difficult to achieve peace between the warring nations because "they hold totally opposite views and there are some tendencies prevalent that seek to continue hostilities." Abreu added that "there is growing concern" among the guarantors.

The Uruguayan foreign minister further stated that "we must, in the best sense of the word, exert pressure on both parties so that hostilities will cease for good," adding that the war between Peru and Ecuador is not only damaging those two Andean countries but also harms Latin America's image in the eyes of the world.

Meeting Begins Amidst 'Great Expectations'

PY0103030395 Lima Global de Television Network in Spanish 0130 GMT 1 Mar 95

[FBIS Translated Text] The meeting of the foreign ministers of the guarantor countries and Peru and Ecuador started at 1430 [no country time specified] today at the Brazilian Embassy in Montevideo.

The meeting started amidst great expectations, to the extent that it has overshadowed the presidential inauguration in Uruguay.

Before entering the meeting, Peruvian Foreign Minister Efrain Goldenberg said that Peru will seek the fulfillment of the Rio de Janeiro Protocol and respect for the Itamaraty Peace Declaration.

The Montevideo summit has a special connotation at this very critical moment for Latin American integration, according to international analysts. Moreover, it is

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the last mediation effort by the guarantor countries in the search for a definite solution to the Peruvian-Ecuadoran conflict.

Although there is no information as to what time the meeting will end, it is known that the only subject to be raised will be the implementation and fulfillment of the Itamaraty Declaration signed by Peru and Ecuador on 17 February in Brasilia.

The meeting is being held within the framework of the inauguration of new Uruguayan President Julio Maria Sanguinetti. The decision to hold this meeting was made on 23 February at the suggestion of the president of Chile.

Ecuador, Peru Agree to 'Immediate' Cease-Fire

PY0103035095 Madrid EFE in Spanish 0322 GMT 1 Mar 95

[FBIS Translated Text] Montevideo, 1 Mar (EFE)—The foreign ministers of Ecuador and Peru promised today an "immediate and effective cease-fire" in accordance with the Itamaraty Declaration of 17 February 1995 after five hours of negotiations with the representatives of the guarantor countries of the Rio de Janeiro Protocol.

The announcement, made in the "Declaration of Montevideo," indicates that the countries in conflict accepted "the immediate presence of observers or representatives in the area to supervise the cease-fire."

The four-point document was signed 10 minutes before midnight (0300 GMT) by Foreign Minister Efrain Goldenberg of Peru, Galo Leoro of Ecuador, Guido Di Tella of Argentina, Jose Miguel Insulza of Chile, Luiz Felipe Lampreia of Brazil, and U.S. Assistant Secretary for Inter-American Affairs Alexander Watson.

Brazilian General: Cease-Fire Observers Should Be Armed

PY2802184795 Madrid EFE in Spanish 1643 GMT 28 Feb 95

[FBIS Translated Text] Brasilia, 28 Feb (EFE)—Brazilian General Ariel Pereira da Fonseca, who acted as head of the preliminary group of military observers who traveled to the conflict area between Ecuador and Peru, has proposed that members of the final delegation that will go to the zone within a week carry light weapons.

Pereira da Fonseca said that the presence of armed patrols and of mined areas on the border between the two nations makes it advisable for the envoys of the guarantor countries to go armed.

Reports released today, 28 February, by local press media state that the Brazilian general is also in favor of a recommendation to impose economic sanctions on Peru and Ecuador should they not respect the cease-fire agreement they signed on 17 February 1995.

Reprisals of this type will be adopted by Argentina, Brazil, Chile, and the United States, the guarantors of the Rio de Janeiro Protocol, a treaty that in 1942 partially outlined the Amazon border shared by Ecuador and Peru.

"The cease-fire was broken after the signing of the agreement," the Brazilian general said, upon returning from the conflict zone.

He said that if the parties do not respect the terms of the commitments they assumed on 17 February 1995 in Brasilia, when they signed the so-called "Peace Declaration," the definitive delegation of observers that should go to the zone within a period of eight days will be forced to postpone the trip.

This mission will be made up of 80 delegates from the guarantor countries of the conflict, and they intend to go to either side of the disputed border in groups of 40 each.

According to Da Fonseca, the confused situation in the area makes it advisable that the observers go armed with revolvers or pistols.

Da Fonseca, who has been accused of being biased by the Ecuadoran Government, met on Monday afternoon with Brazilian President Fernando Henrique Cardoso, whom he briefed on the situation in the conflict area.

Mercosur, Andean Integration Talks 'Satisfactory'

PY2802181495 Buenos Aires TELAM in Spanish 2059 GMT 24 Feb 95

[FBIS Translated Text] Montevideo, 24 Feb (TELAM-SEM)—Andean Group and Mercosur [Common Market of the South] representatives today concluded, with optimism, their first round of talks aimed at a free trade zone between the two blocks within 10 years.

The talks, which began on 23 February, were held at the Latin American Integration Association (ALADI) headquarters in Montevideo. The meeting was attended by the five Andean Group member countries—Bolivia, Colombia, Ecuador, Peru, and Venezuela—the four Mercosur member countries—Argentina, Brazil, Paraguay, and Uruguay—all of which are members of ALADI, plus Chile and Mexico.

At the end of the meeting, Colombian citizen Mauricio Reina Echeverren—the Andean Group coordinator—and Paraguayan citizen Antonio Felix Lopez Acosta—the Mercosur coordinator—issued a declaration in which they state that the satisfactory results of the meeting will enable the conclusion of the negotiations by 30 June.

The declaration emphasizes that this initial meeting served to pinpoint the negotiation proposals and establish priorities. Another round of talks has been scheduled for 23 and 24 March.

The declaration notes: "A point of convergence has been established, not just for the ultimate goal of strengthening regional trade, but for the various specific points of the negotiation proposals."

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The declaration signed by Reina Echeverren and Lopez Acosta states that the priority issue for discussion involves establishing the way Mercosur and Andean Group exemptions will be incorporated into the proposed goal.

During their next meeting, the representatives will discuss issues linked to trade deregulation programs and regulatory points for a prospective agreement.

Mercosur representatives were busy in Montevideo this week; a meeting between Mercosur and Chilean representatives toward a trade agreement was held on 20 February and another meeting, with the same goal, was held on 21 February between Mercosur representatives and Bolivian representatives.

Uruguayan journalists reported that some progress was achieved in the meeting between Mercosur and Chilean representatives. This advancement heralds an agreement before 30 June when the tariff exemptions agreed upon with Chile will expire.

The talks focused on the national products system to be included in the trade agreement and the prospects to improve communications between Mercosur member countries and Chile. The talks will be pursued during a meeting that has yet to be scheduled. At this meeting, the list of products to be included in the agreement will be discussed.

Sources contacted by Montevideo newspapers indicate the negotiations with Bolivia are not as advanced, but trust that agreement will be reached before the second half of this year.

Mexico Suspends Trade Talks With Northern Triangle

PA2702145395 Guatemala City PRENSA LIBRE in Spanish 24 Feb 95 p 75

[FBIS Translated Text] It was disclosed last night that Mexico has decided to suspend the trade negotiations promoted by Guatemala, El Salvador, and Honduras, the Northern Triangle, and Mexico intended to reach a free trade agreement that would have been signed by late 1995.

Following Mexico's economic crisis, its authorities said they were not interested, for the time being, in continuing the negotiations with the Northern Triangle, (Enrique Lacs), technical coordinator of the Business Commission for International Trade Negotiations, Cencit, announced.

The economic plan proposed by El Salvador, which took the other Central American countries by surprise due to the determination and firmness with which President Armando Calderon Sol is promoting it, is another reason that has prompted the suspension of the negotiations.

Meanwhile, reports from Quito, Ecuador, have stated Ecuadoran authorities and businessmen also decided on 23 February to suspend the trade agreement negotiations being held with Guatemala due to the armed conflict in which Ecuador and Peru are engaged.

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Cuba

Economists' Association Meeting Continues

Economic Minister Interviewed

FL2802153295 Havana Radio Rebelde Network in Spanish 1800 GMT 27 Feb 95

[Interview with Osvaldo Martinez, minister of economy and planning, by journalist Mariela Diaz, in Havana; from the "National Radio News"—recorded]

[FBIS Translated Text] During the last Havana International Fair, Politburo member Carlos Lage announced the creation of a new law on foreign investment. During the fourth National Association of Cuban Economists [ANEC] Conference it was said that the law will be clear and flexible. Osvaldo Martinez, minister of economy and planning, answered my questions about the new foreign investment law, and about the duality of the Cuban economic system.

[Begin recording] [Diaz] There is talk that a new law on foreign investment is being drafted. It is said to be much more flexible. There is conjecture that it will contain [word indistinct] taxes, and that it will issue 100 percent of stocks in foreign capital. What can you tell us about this?

[Martinez] Well, we must wait until the discussion of the investment law has completely defined its components. Actually, a new foreign investment law is being drafted. It will probably be debated at the next session of the National Assembly of the People's Government, however, it would be premature to discuss the details of this law, although of course it is expected to give better direction to the foreign capital investment process; to make the process clear and more secure; in short, to better structure the process of foreign investment.

[Diaz] In Cuba, the majority of our industries function under one set of planning mechanisms. Another set allows certain enterprises from different sectors to be open to foreign investment, in joint ventures, for example, however, there is a competitive difference between the enterprises that function under the economic planning system and the others. They do not do as well; they are lagging in terms of economic results. Don't you think that opening up to increased foreign investment will eventually resolve this imbalance, and eliminate this duality in the Cuban economic system?

[Martinez] I believe the Cuban economy is facing a great creative challenge. Our main objective is to develop efficiency and productivity in our state enterprises, in our [word indistinct] enterprises, you could say. We are not renouncing [words indistinct] to achieve this goal and in making the transformations that will bring us to that point. We do not believe an enterprise necessarily has to have an infusion of foreign capital to function efficiently and meet the challenge of achieving an acceptable level of efficiency. [end recording]

The commissions continue their work today at the fourth ANEC Congress on issues such as work force relocation, job creation, and societal repercussions of monetary duality.

Martinez Addresses Congress

PA2802205595 Havana Radio Havana Cuba in Spanish 0100 GMT 28 Feb 95

[Report by Roberto Hernandez; from the "Evening Information Review" newscast--passages within quotation marks recorded]

[FBIS Translated Text] [Hernandez] To introduce the debates being held within the Fourth Congress of the National Association of Cuban Economists, Economy and Planning Minister Osvaldo Martinez delivered a special speech on Cuba's current economic situation. Martinez said that any analysis of the current state of the Cuban economy would be incomplete without a comparison to the situation we faced at the end of 1993 or without a review of the situation faced in 1994.

[Martinez] "In December 1993, economic production faced serious difficulties. Between 1990 and 1993, there was a decrease in economic activity because of the development of the special period, which was the result of events of which we are all aware: the collapse of the Socialist bloc and the Soviet Union, the system of economic relations we had established with them, and the simultaneous tightening of the U.S. economic blockade. At that time, in December 1993, an event with clearly negative consequences threatened our economy: the speedy growth of the domestic financial imbalance. This resulted in an accumulation of liquidity, which hindered general economic growth."

[Hernandez] Throughout his speech, Martinez emphasized that today we are experiencing somewhat different results, even if we cannot say that all problems are resolved and that we now face a genuine and clear economic recovery. The concrete results achieved in 1994 are undoubtedly being transferred to the population in terms of hope, motivation, and encouragement, especially as we begin to confirm these results.

[Martinez] "A series of major events occurred in 1994, the most significant of which was that the drop in production ended. Also in 1994, Cuba registered moderate growth of 0.4 percent in the GDP. Although this growth was moderate, it was very significant because the declining trend that began in 1990 ended. That growth was registered in 18 of 25 industrial sectors, particularly those that produced foodstuffs, beverages, tobacco, metal products, chemicals, garments, and manufactured goods. Generation of electric energy also grew 6 percent. Meanwhile, the tourism industry's gross revenues increased slightly more than 9 percent, from a total of 619,000 tourists, despite the repercussions of the incidents of August 1994. In 1994, production of milk and

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eggs also increased, in small but significant proportions compared to the declining trends in previous years.

"National production of crude oil also increased considerably, reaching 1.28 million tons. The decline in the number of heads of cattle in the country also halted in 1994.

"In addition, the policy of association with foreign capital scored major victories. This policy already includes 180 associations with capital from 36 countries. It has also increased its potential for diversification by going from an initial investment in tourism to investment in sectors like industry, telecommunications, and nickel production. This policy also evolved into more complex, or rather more sophisticated, forms of association, like the association formed in the nickel industry for mining, refining, and marketing of this metal.

"Although we cannot say the economic recovery actually began in 1994, we can say that 1994 helped lay the foundations for the Cuban economy to return to a path of economic growth."

[Hernandez] Martinez also said that despite these positive results, we still have a lot to do in increasing the production of sugar, nickel, and agriculture and livestock goods, and in improving the economic efficiency of enterprises and the competitiveness of our products. In another part of his speech, in which he referred to other key economic topics which we must face this year, he noted:

[Martinez] "In 1995, we must also make progress in the important process of relocating workers and restructuring operating capacities in the economy. This process is directly related to achieving higher levels of economic efficiency and to eliminating, as a first step, overspending on fuel and raw materials by opening up operating capacity where it is underused.

"At the same time, we must create jobs in the agricultural, self- employment, services, and repairs sectors and in local industry. This is necessary so that the process of reorganizing domestic finances, relocating workers, and restructuring operating capacities can yield the best results in terms of production and efficiency, all without having the slightest negative social effect. But if there are negative social effects, we must be able to tackle them properly."

[Hernandez] Finally, Martinez stressed:

[Martinez] "We economists have had the privilege, I believe, of being on the front lines of the great battle being fought by our nation. Our leadership has often said that our country's most serious problem today is not its political but its economic situation. We Cuban economists must be on the front lines—or the cutting edge, I should say—of this detachment of patriots who fight to defend the revolution and who are aware that helping the country's economy recover and achieving economic efficiency are currently the greatest service we can offer the revolution and our motherland."

[Hernandez] The ministers of agriculture and finances and prices also made special statements during the debates held by the seven working commissions at the Fourth Congress of the National Association of Cuban Economists. These debates, which deal with key national economic issues like the reorganization of domestic finances, the reorganization of enterprises, and the operation and growth of the basic units of production, among others, will continue throughout the day.

Jordan Views Food Production

FL2802013795 Havana Radio Rebelde Network in Spanish 1255 GMT 27 Feb 95

[Report by Nieves Toledo; from the "Doing Radio" program]

[FBIS Translated Text] The fourth National Association of Cuban Economists Conference is under way. During its first session, working Commission No. 5, one of the most complex, focused on the new agricultural organization methods of the Basic Cooperative Production Units [UBPC's]. This part of the economic transformation process is a new experience. This experience, along with the obvious results, should solidify the ideas of the worker-to-land bond, of autonomy, of strengthening the workers' ownership attitude, and above all, productive organization. Highlighting the importance of starting from the premise of prioritizing the economic aspects of each proposal, project, idea, measure, and—most importantly, at the lowest social cost—Alfredo Jordan, Politburo member and agriculture minister, discussed the importance of flexibility in seeking alternative solutions to the essential task of food production.

Naturally, my friend, this is a controversial issue because the greatest danger is that you will have no food on your plate. Since this is recognized by those participating in the current debate, they are involved in the controversy over finding out why there is no produce in the state markets if 70 percent of food produced goes to the state, and 20 [as heard] percent goes to the farmers market. The following are comments by Pedro Luis Vigo, manager of a UBPC in Holguin.

[Begin Vigo recording] In Holguin, sweet potatoes have been sold at the farmers markets since they opened on 1 October, yet there has not been one sweet potato at any of the Holguin state markets. How can they be sold at the farmers market if I have to hand over 70 percent to the State Agricultural Collection System and 30 percent to the farmers market? [end recording]

Agriculture Minister Alfredo Jordon responds to the issue.

[Begin Jordan recording] It is obvious that what is available at the farmers markets has a better image today

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than the little bit available at the state market. Now I want you to be aware that the quantities sold in Havana City markets are strictly controlled, item by item, especially tubers, vegetables, and grains. It is under control: 3,000 to 4,000 quintales are sold daily. Nevertheless, under the other system, up to 25,000 were delivered because in Havana, to produce one pound of tubers, one must go through 22,000 quintales. If I were to add social consumption to that, that would add up to approximately 36,000 because schools, hospitals, scholarship recipients, meetings, and other things must all be supplied with food. Don't you agree? I'm thinking of holding a meeting here in Havana because if I bring in people... [pauses] All of these things reflect consumption, a considerable amount of consumption. Nevertheless, while 22,000 quintales go to the other market, they are hardly noticed, it is such a small quantity. Let's look at the fact that from the time the farmers markets opened on 1 October, to the present, we have sold a little over 1.6 billion quintales, worth 700 million. We have charged 56 million in taxes, and approximately 13 million has been realized in rental income. The state has, therefore, earned almost 70 million in taxes for its budget as a result of the farmers markets sales. A significant portion of this money has gone to the UBPC's, which carry debt with the state. This is important: They have begun to pay off their debt to the state. We have checked this through banks and certain cooperatives. [end recording]

The discussions on agricultural issues, especially sugar production, will continue today.

Melendez Discusses Real Estate Deals

FL2802030195 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 28 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] The first real estate deals and growth in the sugar sector were announced this afternoon at the Fourth National Association of Cuban Economists Congress. Ernesto Melendez, foreign investment and economic cooperation minister, in the presence of Carlos Lage and four other Cuban ministers, explained the progress made in real estate businesses, primarily tourism facilities, housing, and office space. He also announced that next week a British institution will extend the first 50 million [currency not specified] to the first foreign investment fund in Cuba and added that other deals are in progress. This opens the prospect for first time of participating in associations by providing capital. Melendez also affirmed that sugar production is beginning to benefit from the flexibility of the Cuban law on investments.

[Begin Melendez recording] We are negotiating several productive financial operations in the sugar industry sector to acquire the resources needed, with the participation of several foreign entities. [end recording]

In the plenary session, the different commissions gave briefings on the issues addressed in their debates, and Brigadier General Reynaldo Muniz spoke about improving management of the Ministry of the Revolutionary Armed Forces.

Ministers View Business Practices

PA2802124795 Havana PRENSA LATINA in Spanish 2300 GMT 26 Feb 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 26 Feb (PL)—In discussions held today, the Congress of the National Association of Cuban Economists (ANEC) reviewed the country's business organization and management practices in light of the economic changes undertaken on the island.

Basic Industry Minister Marcos Portal, in an appearance before one of the working commissions, thoroughly explained the sector's reorganization and its corporate system.

According to the minister, some of the bases of the newly-implemented system are: management decentralization, which assigns greater responsibility to business organizations; establishment of incentives; and participation by workers and supervisors in principal projects.

Portal said that, according to general guidelines issued by the government directorate, the fundamental objectives of the new path are: reducing costs, improving quality, and making industry more efficient.

Based on this policy, there have been substantial reductions in payrolls, especially in basic industry. This has helped central organizations reduce their budgeted expenses.

Business organizations have been assigned the widest possible range of authority in administering financial, material, and labor resources, the minister added.

According to the available information, the principal strategic directives include: competition, productivity, recovery and modernization of the technical base, and a new corporate structure.

Later in his speech, which drew many questions from the delegates in attendance, Portal described the developing work in terms of associations with foreign capital that include, among other areas, several mining sectors.

The minister emphasized that despite U.S. pressure and the commercial and economic blockade of the Antillean nation, advances in this area have been made. Contracts have been signed with foreign firms in 18 of the 36 mining divisions into which the national territory has been parceled.

This includes promising prospects for production of gold, zinc, copper, and nickel, as well as the incorporation of new technologies that have prompted increases in production, he asserted.

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Agriculture Minister Alfredo Jordan also addressed the commission responsible for new agriculture organization methods. His speech focused on regulations designed to provide incentives for production and on improvements in food supplies.

Tomorrow the congress' seven commissions will continue their meetings. Candidates for membership in ANEC will be nominated.

Torres Reviews Sugarcane Production

FL2802234495 Havana Radio Reloj Network in Spanish 2043 GMT 28 Sep 95

[FBIS Translated Text] Sugar Minister Nelson Torres made a special appearance at the National Association of Cuban Economists [ANEC] Fourth Congress at which he noted that some resources to boost sugarcane production are available. Among these resources, Torres cited fertilizers, which are currently arriving in Cuba, spare parts for mills and tractors, [word indistinct] and material for the local production of tires.

Torres highlighted the importance of the duties of the sugarcane Basic Cooperative Production Units' [UBPCs'] finance officials in handling the use of resources and avoiding excessive expenses. He added that every sugarcane UBPC should discuss financing to expand planting with National Bank officials because there are distinct characteristics in different areas nationwide.

UBPC presidents invited to the ANEC congress questioned Nelson Torres about problems regarding sugarcane prices, self-sufficiency, and seed handling. Regarding sugarcane prices for each 100 arrobas, Nelson answered that the best ways to boost sugarcane production are being studied with other economic organizations [as heard]. Regarding self sufficiency, Torres stated that other crops such as rice, beans, tubers, and others must inevitably be planted to take care of agricultural shortages, and to reduce the state's deliveries during the harvest.

The Fourth ANEC congress will end on 28 February with the presentation of the ANEC national committee and its final resolution.

Castro Sends 'Special Message'

FL0103031295 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Mar 95

["Special Message" from President Fidel Castro to Cuban economists, read by Finance and Prices Minister Jose Luis Rodriguez at the closing of the Fourth National Association of Cuban Economists Congress at Havana Convention Center on 28 February; from the "Exclusive" program—recorded]

[FBIS Translated Text] To the members of the National Association of Cuban Economists [ANEC]: Dear Comrades, with the triumph of the Revolution on 1 January 1959, our people embarked on the road to its true development, which the best sons of the fatherland have aspired to since the previous century and to which contemporary Cubans have committed themselves with dedication and sacrifice. In all these years, undeniably significant accomplishments have been attained in terms of national development, and a highly concrete foundation has been set for the continued struggle toward that goal.

More recently, the abrupt disappearance of the socialist bloc and the subsequent loss of the greater part of the international economic relations we had been cementing for over three decades on fair and worthwhile grounds have forced us to face an extremely difficult, complex economic crisis. To this, add the effect of the restrengthening of the blockade, as cruel for the damage it causes our country as it is useless in its ultimate goal of overpowering the fatherland.

We have been able to resist, thanks to the resolute fighting spirit of our people and their unyielding faith in overcoming the current difficulties on the basis of deeply rooted patriotism and intense support for the revolutionary project of preserving the fatherland, the Revolution, and the accomplishments of our socialism. In the economic sector, we have been able to introduce the necessary changes in our methods and operational mechanisms, always acting with flexibility and realism within the framework of the revolutionary principles we will never relinquish.

It is true that the adversities of these recent years, which are still not behind us, have forced us to postpone the fulfillment of objectives and goals we had set for ourselves. Yet, everything we have done and will do will is aimed at preserving and defending the true interests of our people, interests which were not met in the past and will not be met in the future in a society where the prevailing values are those of the capitalist system.

The Cuban economists, accountants, and other specialists linked to the economy are charged with playing an important role in search for the most accurate, realistic, and principled answers to the current challenges confronted by the economy. You are charged with better utilizing and controlling the resources, with achieving production with efficiency and quality, meeting the valid needs of our population, and allowing us to reach a favorable position in international markets. You are charged with accomplishing a proficient financial discipline contributing to the effectiveness of the economy and sustained development, with the required diversity.

We must keep in mind that the best economic decisions will always be those strengthening national independence and the role of our nation in the concert of nations, the guiding principles of our society, and most importantly, the heroic and decisive struggle against the criminal imperialist blockade.

I am convinced that the ANEC should give special attention to efforts promoting the highest ethical and

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professional values among our cadres specializing in the economy. The Cuban economists have an important role in the fight for efficiency, which is today the fight for survival and national development. I am convinced that you will be the outstanding protagonists in this struggle, together with the people.

I wish you the greatest of successes in the Fourth ANEC Congress, and I reiterate our conviction that Cuban economists will fulfill the trust we have placed in them. Signed: Revolutionarily, the president of the Councils of State and Ministers, first secretary of the Communist Party of Cuba, Commander in Chief Fidel Castro. [applause]

Recommendations Made To Renovate Economy

FL2802030595 Havana Radio Rebelde Network in Spanish 0000 GMT 28 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Work commission delegates to the 4th National Association of Cuban Economists [ANEC] congress issued the first recommendations for Cuba's future economic actions during the 27 February session. Regarding different kinds of property, for instance, the first commission of the ANEC congress proposed studying the creation of cooperatives as a means of ownership for all production and services, which currently represent a burden to the state.

[Begin unidentified delegate recording] ...To consider creation of cooperatives, family finances, and self-employment as means of ownership of all production of goods and services, which are now a burden to the state. This will allow elimination of excess apparatus, and will preserve the hegemony of Cuba's strategic products and services. To maintain severe vigilance over the government's control of these kinds of ownership. As a final proposition: to create an ANEC permanent commission in charge of perfecting the business system, and creating advice, counsel, and research teams to support this task. [end recording]

The fourth ANEC congress commission, which discussed the renovation of the Cuban economy, proposed decentralizing the employment policy and speeding up provincial studies of new jobs.

[Begin second unidentified delegate recording] The search for a whole and coherent employment strategy will continue. This strategy will include, among other things, the following aspects: to work toward the creation of an integrated system of economic incentives; to create useful jobs according to regional needs; to expand self-employment and other kinds of non-state jobs as valid employment alternatives; to continue to reconcile employment policy with the principles of fairness and social justice of our Revolution; to make labor organization systems and salaries flexible; to gradually reduce underemployment and oversee existing unemployment. [end recording]

Ministers Praise Efforts of National Hotel Chain

FL2802182795 Havana Radio Rebelde Network in Spanish 1800 GMT 27 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] The national tourist hotel chain Isla Azul has distinguished itself for exceptional management, mainly in attending to the Cuban work force. The chain, created in 1994, exceeded expectations and took in over 100,000 pesos, more than the budget projection of 50,000. They also reduced their state subsidy by 41 percent, due to contributions generated in foreign currency. The hotel chain is oriented to several sectors of the Cuban population, such as workers, students, rural farmers, and members of the armed forces. Tourism Minister Osmany Cienfuegos, and Foreign Relations Minister Roberto Robaina, awarded appreciation plaques to 19 collectives for outstanding efforts, including the collective from Hotel Sierra Maestra in Granma. In a simple ceremony held at the Ministry of Foreign Relations, Osmany Cienfuegos highlighted the notable efforts of this chain in a speech to 42 national vanguards and Isla Azul executives.

[Begin Cienfuegos recording] Clearly, the results—not just what has been accomplished here, but what we have seen over the past few months—these results are recognized by everyone throughout the length and breadth of Cuba. [end recording]

Lage Speaks to Presidents of Havana's People's Councils

FL2802131895 Havana Radio Rebelde Network in Spanish 0000 GMT 28 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Carlos Lage, Ricardo Alarcon, and Esteban Lazo, members of the Politburo, are participating in an ongoing meeting of presidents of Havana's 102 People's Councils.

Lage, vice president of the Council of State, warned about the need to revise the reorganization of the inspectors' system to ease the critical transportation situation in Havana. Upon learning of the elimination of approximately 350 transportation inspectors [amarillos] from the 1,200 inspectors working in past months, Lage suggested that this sensitive measure should be revised, and no inspectors should be taken from any stop if they are needed.

In addition, Lage stressed the importance of all decisions related to urban transportation being first studied at the municipal level by the presidents of people's councils, and by the delegates as well, to offer better information to the people.

Discusses Public Transport at Meeting

FL2802020295 Havana Radio Reloj Network in Spanish 2033 GMT 27 Feb 95

[FBIS Translated Text] Carlos Lage, vice president of the Council of State, participated in a meeting of Havana's

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people's council presidents, in which he stated that it is necessary to maintain the services of transportation inspectors [amarillos] because they benefit the people. Lage stated that they should be eliminated only when additional means of transportation become available, that most people agree on this issue, and that changes should be made if necessary.

Miguel Cabrera, provincial transportation director, made it clear that inspectors are becoming more organized, and that far from disappearing, they are required to stop vehicles and assist people.

The meeting discussed problems with various bus routes, particularly the Alamar and Guanabacoa routes, which provide poor service and require alternatives to improve it.

Foreign Minister Robaina Interviewed on Relations

PA2702031895 San Salvador DIARIO LATINO in Spanish 22 Feb 95 p 3

[First of two installments of interview with Foreign Minister Roberto Robaina by Carlos Castro; place and date not given—reproduced from the Cuban magazine SOMOS]

[FBIS Translated Text] [Castro] Since you became foreign minister, you have toured several countries in Asia, Africa, Latin America, and the Caribbean. You also participated in UN meetings, working sessions of the Nonaligned Movement foreign ministers, and the Fourth Latin American Summit [as published] in Cartagena de Indias, Colombia. What is your assessment of these activities?

[Robaina] First, I must say that I should not be the one to assess this work, which has been very intensive not only abroad but at home as well. Personally, I can say that it has been a fruitful time, full of experiences and trials by fire in a relatively short time. I have decided to adapt to a new responsibility by exercising it fully. I have decided to adapt to the new ministry, to my new fellow workers during daily activities, and to new problems by trying to solve them. This has involved a certain degree of effort, but no greater than that required by other Cubans, such as housewives, for instance. I am happy but unsatisfied. Some things could have been done better. Others could have been done quicker with previous experience.

[Castro] You have been reported to say: "It is easier to make foreign policy than to be a housewife in today's Cuba, because women must use their imaginations to prepare breakfast, lunch, and dinner everyday." Did you really say that?

[Robaina] I was referring to the consequences of the U.S. embargo against Cuba and the crisis caused by the collapse of the socialist system in Europe. I intended to pay a deserved tribute to the effort and sacrifice of our women at home. In my view, our women stand for our people's spirit of resistance. This is true not only because I say it but because I see it in my home and in the homes of my relatives and friends. You will not deny that this is also true of your own home. To make foreign policy, you need information and knowledge. Fortunately, the embargo has not stripped us of knowledge or access to information, even restricted information. We have laws and regulations, a whole culture of civil and diplomatic law, and the right to share it daily with highly experienced companions. That makes our work much easier. It is different at home, where the effects of the embargo are felt acutely. When a housewife does not have fuel for cooking or all the food items she must include in a normal, balanced diet, when even the backyard and the flower pots must be planted and animals grown to reinforce the family diet, the situation is viewed and assessed differently. One realizes that if we had the necessary fuel to cook, fertilizer and pesticides for agriculture, and financial resources to buy staples, we could focus our attention on tackling the problems whose solutions are within our reach and the housewives' problems would be decreased. Then making foreign policy would indeed be more difficult.

[Castro] What do you think about the steps taken after the The Nation and the Emigrants Conference? What do you think about it?

[Robaina] Let's start with the end. The conference was the result of a long process and at the same time a step toward gradually normalizing relations between the nation and its emigrants. The country never intended for this abnormal relationship to last forever. The first meeting was held in Havana in 1978. Although that meeting had significant results, there was no appropriate follow-up precisely because of the increasing U.S. aggressiveness during the Reagan and Bush administrations. Now we feel the time is right to resume that process because circumstances are different and, in particular, because we have observed a change in emigration. As a result, we met with more than 200 resident emigrants in April. In the meeting, despite clear political, ideological, and economic disagreements that have existed and will continue to exist even among the emigrants themselves, respect for our realities prevailed at all times and allowed us to advance in the desired direction. At the time, our government announced several measures to improve the relationship between the emigrants and the nation. The meeting was fruitful. We wish to reiterate that the most important result thereof was our shared decision to continue along the selected path. This decision has already been implemented. It is not necessary to wait for a new conference before following up what we have already started. We have taken many steps since the Conference. First, we implemented the announced measures. For instance, the Directorate for the Affairs of Cubans Residing Abroad, which deals with the whole process, already functions as part of the Foreign Ministry. Once again we have demonstrated that our government is serious when it decides to undertake a certain

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project. Without exaggerated claims, I can say that everything goes according to schedule.

[Castro] What do you think about the post-Cold War mania to place Cuba on the accused bench on charges of violating human rights? Are such charges against our country solid?

[Robaina] First I want to ask you a question. Do you seriously believe in the Cold War? As I see it, either you are at war or you live in peace. I think the Cold War invented by the superpowers was nothing more than those powers hurling accusations at each other.

Let's suppose, though, that the cold war is over. We should have peace if we like neither the hot nor the cold war. But what do we have?

For a significant part of the world, things are very hot. There is xenophobia and racism in Western Europe; the restoration of capitalism and ethnic wars in the former socialist countries and Soviet Union; thousands of dead in Africa; fratricidal wars in Asia; hunger, misery, and missing people in Latin America; drug addiction and violence in the United States; and the harassment and beleaguering of Cuba.

It seemed that everything would be dandy at the end of the cold war. No domination of one over another; no invasions or impositions; no persecution mania, attacks, or passing judgment on those who do not want to join the worldwide disarray activated by the winners and losers of the cold war. But the true situation is very different.

That is why I tell you that the plans against Cuba are not the product of a post-Cold War mania or of embarrassing assertions, something no one has ever been able to make against Cuba.

This is a mania of traditional hegemony. Since the 18th century, each time the United States failed to satisfy its geopolitical appetites for our island, it put her on the accused bench, shouted sermons, and filed countless accusations of any kind, depending on the times, to make her bend under threat, pressure, or the law of force.

We are talking about a pre-Cold War, Cold War, and post-Cold War mania. The Cold War talk is just a pretext.

I can assure you that all 30 articles of the Universal Declaration on Human Rights are honored in Cuba more or less effectively. They are honored! They are a goal, an ideal toward which modern legal states and civil societies must strive in their continuing struggle for man's dignity. In implementing a policy, we may make mistakes with individuals and the rights of a person may be impaired.

But to stand on this to speak of flagrant violations of human rights against the Cuban people, to put this label on the country and accuse it before the world, are actions that are both infamous and gross, and those who play this game of lies play a renegade's game.

[Castro] With how many countries did Cuba have relations in 1958 and 1960? What are the figures now? What is the outlook?

[Robaina] At the moment of triumph of the Revolution, Cuba had relations with 51 states. Right now we have diplomatic relations with 147 countries and have consulates in three others (Belize, San Marino, and Chile). That will give you an idea of how mistaken the opinion is of those who say we are alone. I have never seen a more accompanied loneliness.

I must also say there is another group of countries with which we have neither diplomatic nor consular relations but with which we nevertheless maintain significant relations of cooperation at other levels. This allows us to believe that in a not too distant future, those relations will be normal.

Part 2 of Interview

PA2702223195 San Salvador DIARIO LATINO in Spanish 23 Feb 95 p 14

[Second of two installments of interview with Foreign Minister Roberto Robaina by Carlos Castro; place and date not given—reproduced from the Cuban magazine SOMOS]

[FBIS Translated Text] [Castro] Are your trips abroad costly?

[Robaina] Good question. Today everything costs something. There is a difference between what costs something and what is costly. In the long run, what is most important is what we gain, the opportunity to talk and win friends and support for our project.

But there is more. Without costing us less, the Foreign Ministry today is self-sufficient in foreign exchange and is trying to spend as little money as possible. In addition, since we were children we were taught to take austerity measures. Today more than ever we have to assume that attitude of frugality and austerity because the country is experiencing something very different than five years ago.

So much for that. No two trips cost the same because it depends on the distance, the price of tickets and hotels, and whether the hotel cost is assumed by Cuba or the country being visited. It is very difficult to say. The term "costly" is relative.

I can say one thing for sure: I never travel first class, and the delegations I head are the same small delegations that accompany any foreign minister in the world. They rarely exceed four or five people, including me. Those who organize my trips do everything possible to find the best routes and the exact distribution of delegation members in hotel rooms, always trying to reduce expenses. That is why many nights are spent on planes instead of in hotel rooms. The next day we show up working in a different place.

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A number of countries, because of our existing relations with them, assume hotel, food, and transportation costs. The same thing happens at certain international events in which we participate.

To give you just one example, my tour to the Caribbean was done in one of our planes, precisely because it greatly reduced costs. Sometimes to save money and resources, we have breakfast or lunch on board while in the air.

[Castro] There are those who say that you continue to project a youthful image, that you are trying to come up with a new style of dress for a foreign minister. Is that true?

[Robaina] It is not bad news to hear that someone who is 38 years old can project a youthful image. I can assure you that no one has asked me to change my style of dress to become foreign minister. Like Pablito [Pablo Milanes, a Cuban singer] would say, I am trying to be myself. In addition, I have the most resolute conviction that the Cuban who does not feel young has lost something of the natural strength of this land.

Cuba is a young country with a young state, a young people, a young society, and a much younger economy, because it is seriously trying to be independent. It has a brave, courageous people who love, laugh, dance, and solve their own problems. The people firmly believe that it is not clothing but feelings, convictions, and the consequences of their words and actions that count in life.

As for my clothes, I have never been interested in setting new trends. I dress the way I feel most comfortable, and I have also learned to dress according to the circumstances when necessary.

There are foreign ministers who never take off the clothes that distinguish them with their religion or their army's uniform. There are foreign ministers who prefer blue suits and colorful ties, and that does not bother anyone. I can tell you something else: As far as ties go, I prefer to carry them inside and wear them outside when the proper time comes because I like what I wear.

U.S. Termed 'Isolated Goliath' Over Blockade

PA2802154195 Havana PRENSA LATINA in Spanish 0647 GMT 27 Feb 95

["Exclusive" article by Jose Dos Santos, vice president of the Union of Cuban Journalists: "Blockade Against Cuba: An Isolated Goliath Grunts More Every Day"]

[FBIS Translated Text] Havana—The blockade against Cuba is condemned to failure, although it may eventually be intensified with the help of new initiatives. At present, on the international level there is coldness and rejection of the anachronistic obstructionist policy promoted by the United States, as well as an erosion of pillars that are fundamental to Washington.

The United Nations' resounding and massive condemnation of a method that tends to bend wills against all reason, the expansion of agreements and contacts with the island, and changes in opinion reflected in influential U.S. newspapers are among the practical reasons for speeding up the forthcoming fate of the blockade.

One absurdity in the field of international law, the proposal recently presented by ultraconservative Senator Jesse Helms, the new chairman of the Foreign Relations Committee, is an attempt to tighten the shackles on Cuba.

The solutions proposed by the most recalcitrant sectors of the U.S. bipartisan Senate are part of a recurrent anti-Cuban wave that mirrors the firmness displayed by the Cuban social plan which, far from being eclipsed or from disappearing, has resisted, is adapting, and is showing signs of flourishing under current international conditions.

The aggression against the revolution keep acquiring new and increasingly acute shadings. Events like the creation of Radio Marti or the adoption of the Torricelli law have coincided with moments when Havana was being sorely tested, and they have been defeated despite foreign predictions.

Now additional challenges are foreseen in response to Washington's redoubled pressures, threats, and actions to undermine Cuba's will. Within the panorama, nevertheless, is one unknown factor: an increasing number of U.S. allies are distancing themselves from the U.S. position toward Cuba. Some of them, like Mexico, Canada, France, and Spain, have even openly disagreed with those positions.

Despite threats that those who trade will Cuba will be barred from entering the United States, a ranking British conservative has established comprehensive and favorable dialogue to broaden bilateral ties, while Canada is looking for ways to strengthen its ties with Cuba.

Despite pressure to cut off ties with Havana, the new Swedish Government is restoring its cooperation with the island, to whose development of key sectors like biotechnology it once contributed, and the Australian Government has expressed an interest in developing economic relations.

The United States is clearly losing ground internationally in this conflict. For a third consecutive year, it found itself almost isolated when the blockade was condemned during the most recent UN General Assembly sessions.

Even at a forum on which it has imposed its influence, the fragile UN Human Rights Committee, the United States saw the results of its pressures diminished when, for the first time, it failed to obtain even one African vote.

Domestic Panorama

The Clinton administration's silence in response to the anti-Cuban speeches in Congress, which is currently controlled by the Republicans, contrasts with the views that are increasingly expressed by influential U.S. newspapers in favor of the cessation of an archaic harassment that subjects an entire people to penury.

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The most recent episode in this virtual assumption of positions against the blockade was a TIME interview with President Fidel Castro. Here was a top level U.S. periodical setting forth views and information which had been silenced, manipulated, or misrepresented for a long time in the United States.

Academic and business newspapers in the very cradle of this antagonism are increasingly and insistently speaking out in favor of a change of attitude toward Havana.

From challenging trips by intellectuals and men of faith to the signing of agreements of intent for future deals, events are taking place now like never before, like pieces in a complex chess game seeking to dismantle a policy more than three decades old, which has cost this small country over $40 billion.

Pressure groups are gradually forming, even within the Cuban community in the United States, despite the real danger of advocating dialogue and negotiation with the Cuban authorities in places like Miami.

Unparalleled in the history of humanity by its length and breadth, the blockade may, in more ways than one, boomerang on its promoters.

Its stubbornness not only drives away the support the United States needs and distances that country from being the alleged prototype of the democratic and tolerant ideal it is trying to embody, it also deepens its internal divisions and widens the abyss between the model it is defending and the one it is attacking.

And perhaps no less important for pragmatists—who are currently at a disadvantage with regard to Washington's ideologists—is that the United States has been left out of the transformation process under way in Cuba, a milestone within the contemporary challenges that this society is consciously facing in order to enter a global market economy without giving up its socialist ideals.

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Police Arrest Former President Salinas' Brother

PA2802233695 Mexico City NOTIMEX in Spanish 2205 GMT 28 Feb 95

[FBIS Translated Text] Mexico City, 28 Feb (NOTIMEX)—The Mexican Police arrested former President Carlos Salinas de Gortari's brother this afternoon in connection with the investigation of the murder of Francisco Ruiz Massieu, the leader of the governing Institutional Revolutionary Party (PRI).

The Attorney General's Office announced that it will soon reveal the details, charges, and circumstances of the arrest of Raul Salinas de Gortari, who has also occupied high government positions.

Prosecutor on Evidence Against R. Salinas

PA0103031595 Mexico City Radio and Television Networks Spanish 2335 GMT 28 Feb 95

[Statement by Jose Pablo Chapa Bezanilla, deputy attorney general and special prosecutor in charge of the investigations of the murders of Donaldo Colosio, Jose Francisco Ruiz Massieu, and Cardinal Posadas Ocampo, to unidentified reporters at the Attorney General's Office in Mexico City—live]

[FBIS Translated Text] Good afternoon, Gentlemen:

Preliminary investigation No. 6820/D/94 was initiated following the 28 September 1994 events that led to the death of Jose Francisco Ruiz Massieu, secretary general of the Institutional Revolutionary Party [PRI]. The investigation was assigned to the 11th District Court and filed under the numbers 014/DCU/94 to 021/DGI/94. The triplicates were opened at the Assistant Attorney General's Office for due processing and advancement.

When this Special Deputy Attorney General's Office began to work on the case, the following people were awaiting trial: Daniel Aguilar Trevino, Carlos Angel Cantun Narvaez, and Fernando Rodriguez Gonzalez for the crimes of qualified homicide, bearing weapons reserved for the exclusive use of the National Army, Navy, and Air Force, and association with criminal intent; Maria (Eugenia) Ramirez Arauz for the crimes of qualified homicide, bearing weapons reserved for the exclusive use of the National Army, Navy, and Air Force, and association with criminal intent; Jorge Rodriguez Gonzalez, Marco Antonio Rodriguez Gonzalez, Martin Ramirez Arauz, Roberto Ramirez Arauz, Irving Anthony Borrego Sideon, Jesus Sanchez, and Abraham Rubio Canales for the crimes of qualified homicide and association with criminal intent; Claudia Carola Santos Cruz and Carmelo Herrera Gomez for the crime of concealment; and Jose Pascual Alvarez for the crimes of introduction of weapons reserved for the exclusive use of the Army, Navy, and Air Force and sale of weapons reserved for the Armed Forces. Also, the 7 October 1994 arrest warrant issued by the 12th District Criminal Court in the Federal District against Manuel Munoz Rocha, who was at that time the sole alleged intellectual author of the crime, was pending execution.

From the ministerial depositions, among them the one given by Fernando Rodriguez Gonzalez, we concluded that since March 1993, when Jose Francisco Ruiz Massieu was the general director of the Infonavit [Institute of the National Fund for Workers Housing], Manuel Munoz Rocha received instructions to kill an unidentified top-level official. He did not know the person's identity until August 1994. The attack against the PRI secretary general began to be organized in January 1994.

In March, Marco Antonio Rodriguez Gonzalez, following the instructions of Manuel Munoz Rocha, hired Claudia Carola Santos Cruz and Carmelo Herrera Gomez. He paid them 300,000 new pesos for perpetrating the crime. The attempt was foiled because these people decided not to commit the crime and fled with the money.

There was a second attempt at the Monument to the Revolution area on 27 September, which was to take place when Jose Francisco Ruiz Massieu passed by. The attack was not carried out because, according to the ministerial deposition given by Jose Rodriguez Gonzalez and Daniel Aguilar Trevino, National Drug Institute personnel were raising the flag at the monument and it was too risky. Thus, the date was postponed to the following day, when the crime was carried out under the conditions that are known to all.

The Special Deputy Attorney General's Office conducted a thorough investigation and found that in the days before and after the crime, Manuel Munoz Rocha maintained a discreet but permanent contact with the person who, after two months of intense work, the Special Deputy Attorney General's Office indisputably identified as the other intellectual author of the murder of Jose Francisco Ruiz Massieu.

On 29 September 1994, the day after the assassination, the accused, Manuel Munoz Rocha, sought refuge in the city of Pachuca. From there he made two telephone calls. One was made to the mastermind. The second was made to Ester Duran, who, after being located said at the Attorney General's Office [PGR] that two days before the assassination she accompanied Munoz Rocha to deposit 243,000 new pesos in a safety deposit box at the Palma Centro Branch of the National Bank of Mexico. He had received this money as part of his reward for his participation in plotting the crime. He left this money in the custody of Ester Duran.

This office secured that money on 27 January.

The PGR has substantiating evidence, including:

1. Seven testimonies made at the PGR from which the close relationship between Manuel Munoz Rocha and the mastermind of the assassination can be surmised.

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The last place visited by Manuel Munoz Rocha on 29 September 1994 before disappearing but after fleeing to the city of Pachuca, Hidalgo, was the residence of the mastermind, a residence that has been fully identified,

There is a statement according to which the suspect masterminded and financed the attack. This statement was made by Manuel Munoz Rocha, a person fully trusted by the mastermind, actually the mastermind's personal secretary for several years.

2. The Federal Judicial Police report which establishes that the telephone number to which the call mentioned here was made is the same that the suspect gave as reference for two credit card accounts at the National Bank of Mexico.

3. A legal search of that residence, which, according to information secured by the Federal Judicial Police and information provided by an employee of that residence, belongs to the suspect.

4. A legal inspection of a vehicle, a white fastback Volkswagen with Hidalgo State registration plates, the same vehicle Manuel Munoz Rocha drove until he disappeared.

5. Reports by experts on road transit, engineering, and topography that allow the identification of the vehicle and a deduction of where the vehicle had come from and the probable journey of Manuel Munoz Rocha, taking as a starting point the restaurant Excellence, where he asked a person who was accompanying him to wait until he returned to pick him up after meeting with the suspect, and the residence of the suspect as another point, and establishing the probable route used to reach the site where the vehicle was abandoned, a short distance from the often mentioned residence.

6. An affidavit of Manuel Espinoza's telephone bills, exhibited by Espinoza himself, which list the two telephone calls made by Manuel Munoz Rocha on 29 September 1994.

7. In the deposition made by the suspect at the PGR, he denied having any relationship with Manuel Munoz Rocha. He said he had not had any contact with him for the past 20 years.

These elements are evidence that has been duly investigated and which establish logical connections that lead us to be certain of our conclusion. The Constitution and the law demand that evidence capable of establishing the probable guilt of a suspect be collected in criminal investigations. The Constitution and the law also impose on us the obligation of bringing suspects before a court, whenever there is evidence pointing to probable culpability.

In this case, the investigations carried out and the evidence we have secured lead us to this conclusion. That is why on Friday, 24 February, we initiated the corresponding legal actions.

Once the summons was prepared, the Third District Court judge of Toluca, Mexico State, issued on 25 February the corresponding arrest warrant. This warrant was served today. That is why Mr. Raul Salinas de Gortari was placed at the disposal of the above judicial authority. He is already at the maximum security prison of Almoloya de Juarez.

We want to insist on the following: Based on previously reviewed substantiating evidence, as well as other evidence on file, the PGR decided to initiate criminal proceedings against Raul Salinas de Gortari as the mastermind of and probable culprit in Jose Francisco Ruiz Massieu's homicide.

It has already been stated that the PGR has in its possession material which documents Raul Salinas de Gortari's probable responsibility as the mastermind of the assassination of Jose Francisco Ruiz Massieu and, unless there is reliable evidence like that on which today's arrest warrant was based, the case can be considered settled [agotado] as far as the masterminds are concerned.

A triplicate will be opened to follow up any related crime that may have been perpetrated in connection with the previously narrated criminal actions. Also, Mr. Mario Ruiz Massieu has been summoned as a suspect concerning related crimes.

The PGR's role in this and the other cases has been in strict abidance with the law, with the intention of enforcing justice as expected by the Mexican people. We renew our pledge and we ask the citizenry, the media, and those who may influence public opinion to act with the responsibility required in these cases and demanded by the country these days.

The information we provide today fulfills the investigating authorities' basic duty. Speculation, involving people without evidence, and spreading rumors about the investigations are unfair actions and extremely detrimental to the confidence and actions carried out before the Mexican people to establish a strong rule of the law and our institutions' credibility.

Based on the instructions from Mr. Ernesto Zedillo Ponce de Leon, constitutional president of the United Mexican States, the PGR pledges the Mexican people that it will rescue, protect, and strengthen our highest values and enforce justice in the only way possible, meaning justice for all. Nothing and no one will be above the law.

I consider it necessary to publicly express our gratitude for the support given to the Deputy Attorney General's Office by the president of the republic, Dr. Ernesto Zedillo Ponce de Leon, and by Attorney General Fernando Antonio Lozano Gracia, and to recognize the working team in the Deputy Attorney General's Office. Thank you very much. [applause]

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Salinas Denies 'Cover-Up' in Murder Investigation

PA0103040095 Mexico City Radio ACIR Network Spanish 2352 GMT 28 Feb 95

[Telephone interview with former President Carlos Salinas de Gortari by Abraham Zabludovsky on 28 February in Mexico City; from the "Panorama" newscast—recorded]

[FBIS Translated Text] [Zabludovsky] We have former President Carlos Salinas de Gortari on the telephone. Good afternoon, Mr. Salinas.

[Salinas] Good afternoon, Abraham, how are you?

[Zabludovsky] Very well, thank you. To what do we owe the honor of your call, sir?

[Salinas] I am here in Mexico City, Abraham, and this morning I had planned to make a statement to the Mexican people, which I would like to make personally. If you would allow me, I would like to read it.

[Zabludovsky] Please do.

[Salinas] In recent weeks, several events have occurred that have affected the country's daily life. Two of these in particular have been addressed in such a way that they affect my responsibility as president of the nation, but worse, they seek to affect the nation's perspective. We are a different country. I am convinced that I served Mexico well. I did everything I could for the benefit of Mexico and the Mexican people. The investigation into the murder of Luis Donaldo Colosio has taken a new turn. I join the people of Mexico in demanding that this investigation continue to its ultimate consequences. That is why the investigation was not closed when I concluded my administration and the special prosecutor publicly filed a report in November noting that there were 10 ongoing lines of investigation. I created the special prosecutor's office to carry out this task. I gave it autonomy to ensure that no one, not even the president, could dictate a specific line of investigation, suggest specific tasks, or prevent it from investigating anyone in particular. The office enjoyed absolute freedom and had the means to do its work.

Several members of the media, however, have broadcast reports attributing comments to government officials saying that there had been a cover-up in the investigation. That is the same as saying that we were accomplices to the murder.

Out of dignity and personal honor, and out of respect for the memory of Luis Donaldo Colosio, I cannot let such statements pass; not even those that are just insinuations. I strongly deny them and demand that the competent authority offer a satisfactory explanation.

The country has also been hurt by the terrible devaluation in December 1994. Thousands of people have lost their jobs, and many companies are facing bankruptcy. Mexicans have been hurt by the economy, and Mexico's image around the world has been tarnished. I have read reports, particularly in the foreign media, that attribute the devaluation to my administration. I do not deny there were some shortcomings, but we do not accept the mistakes made in December as ours. Several current officials have already admitted the mistakes they made in December to the foreign media. The only thing I would ask is that they recognize these mistakes before the Mexican media as well.

There is a solution. Recognizing these mistakes will not make things the way they were before the devaluation, but it is essential to do so to correct the course and move toward a solution. I am sure now, in view of international news media reports attributed to local officials, that the December mistake turned what used to be a problem into a crisis and undoubtedly complicated the exchange rate situation. That is why I ask that this mistake be recognized in Mexico, as it has been abroad, not to hold anyone accountable, as I am interested only in Mexico coming out ahead.

I worked for the good of the nation. My responsibility ended on 30 November, but I will not retreat from the struggle in favor of honor and dignity; my personal honor and the dignity of the Mexican people. I will not do so without a formal protest.

I hereby reaffirm my respect and loyalty toward the president of republic. As a citizen, I voted for him, and he now represents us all. The only thing I ask is that the appropriate authorities clarify these issues. In so doing they will strengthen their capability to serve, strengthen the government, and undoubtedly strengthen the national currency.

To summarize, I ask that the investigation into the death of Luis Donaldo Colosio follow through to its final consequences. For personal honor, I call on the Attorney General's Office to set the record straight, without ambiguity, and state that I exercised no cover-up and gave my absolute support to the investigation by the special prosecutor into specific events and individuals.

For Mexicans, I ask that the mistake made in devaluating the peso in December be recognized in Mexico as well so Mexico can begin to recover.

[Zabludovsky] Mr. Salinas, when you began your statement you said there are people who want to harm you. Who are these people and why would they want to hurt you?

[Salinas] The statements I have read in the foreign press are attributed to officials who ask to remain anonymous. Immediately after making this request, they say there was a cover-up into the investigation of the death of Luis Donaldo Colosio—which I strongly and flatly deny—or they ask not to be identified and go on to explain the mistakes made in December.

[Zabludovsky] Mr. Salinas, you say a mistake was made in December, but a large segment of the population says

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things were not as good as they seemed to be at the end of your administration, which is what led to the December devaluation.

[Salinas] Pedro Aspe will soon present a report on what was done up to 30 November. I would like to say, Abraham, that we did not stop working or making decisions until the very end of our administration. Furthermore, I always respected the Bank of Mexico's autonomy, as safeguarded by the Constitution. We consistently published reports in the media on the various economic indicators.

[Zabludovsky] Mr. Salinas, one issue the public is debating is whether your campaign to lead the World Trade Organization [WTO] and your political image kept you from devaluating the peso. Is that true?

[Salinas] Between January and November of 1994 there was a total devaluation of about 13 percent that occurred gradually and in accordance with the parameters of the social pact. My campaign for the WTO began on 2 December, after my presidential term had concluded.

[Zabludovsky] Is the campaign still on?

[Salinas] We are at the point where the three major international blocks have taken a firm stance, and the situation is currently being evaluated.

[Zabludovsky] You spoke of a mistake in December. Who made the mistake?

[Salinas] That is how it has been said. This is not something I began, Abraham. That is how it has been described in several international newspapers and attributed to Mexican Government officials. All I did was quote what has been quoted in the press and attributed to Mexican officials.

[Zabludovsky] Are you saying that the problems burdening millions of Mexicans today were not caused by your administration?

[Salinas] Abraham, I would say we have to make our assessments calmly and objectively and recognize our shortcomings. The important thing is to see what went wrong, according to those who made these statements, and act accordingly. All I am doing is pointing out what the foreign media has published.

[Zabludovsky] Mr. Carlos Salinas de Gortari, thank you for calling. Are you in Mexico City, Sir?

[Salinas] Yes, I am.

[Zabludovsky] Thank you for calling.

Zedillo Demands Solution of Colosio Murder

PA2802135495 Mexico City XEW Television Network in Spanish 0430 GMT 28 Feb 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Mexicans want to know the truth about the assassination of Luis Donaldo Colosio, President Ernesto Zedillo said today.

[Begin Zedillo recording] A few days ago, the attorney general of the republic reported there is firm presumption that at least two people participated in the perpetration of the crime. In view of this presumption, we must reiterate today our demand—which is the demand of all society—that this brutal homicide be cleared up and that the criminals who planned it be found. [applause]

Today I reiterate that my government will not rest until the investigations of these crimes satisfy citizens, give us certainty that we know the whole truth, and guarantee that justice has been done. Mexicans are not afraid of the truth. We want to know it, and we have full right to it. Truth is fundamental to full justice, and justice is essential to living in a strong state of law in which there is no room for impunity. [end recording]

PRI Demands Thorough Investigation of Colosio Murder

PA2702231695 Mexico City NOTIMEX in Spanish 0158 GMT 26 Feb 95

[FBIS Translated Text] Mexico City, 25 Feb (NOTIMEX)—Mexico's ruling Institutional Revolutionary Party [PRI] today demanded that the investigation into presidential candidate Luis Donaldo Colosio's murder be carried through to the final consequences and until the responsible parties are fully identified.

Maria De los Angeles Moreno, president of the PRI's National Executive Committee, told newsmen that it is "indispensable" that the crime—which was perpetrated on 23 April 1994—be cleared up in order to strengthen the people's confidence in the country's justice system.

A few hours ago, the police announced that two individuals implicated in the crime had been arrested and identified them as Othon Cortes Vasquez and Fernando De la Sota.

Yesterday the Attorney General's Office [PGR] said that Cortes Vasquez is the second man who shot Colosio in the stomach. Colosio also received a fatal shot in the head from Mario Aburto, who was sentenced to more than 40 years in jail for the crime.

The PGR said that videos of the shooting allowed it to establish that Colosio's murder was part of a plot and that a second person apart from Aburto fired against the murdered PRI official.

Othon Cortes was a member of a local PRI committee and Fernando De la Sota was a member of the candidate's security detail.

On behalf of the PRI, De los Angeles Moreno demanded that the masterminds well as the perpetrators of the crime be fully identified.

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She said that the PRI believes that "important advances have been made" in the investigation into the crime.

Roberto Campa, PRI president for Mexico City, said that the PRI wants a thorough investigtion "regardless of who is behind it all."

Companies Canceling Investment Plans, Selling Assets

PA2802182795 Mexico City LA JORNADA in Spanish 27 Feb 95 pp 50, 60

[Report by Patricia Munoz Rios]

[FBIS Translated Text] In light of the ongoing crisis, large Mexican companies are canceling or postponing investment plans while they face commercial legal proceedings [juicios mercantiles] for failing to pay debts owed to banks and individuals. Meanwhile, many sectors—for example, the refreshment, bread, cookie, chocolate, and candy sectors—are holding negotiations to increase prices. Among other measures, these companies are enforcing strict credit controls, selling off fixed assets, and transferring accounts receivable.

According to the Commerce and Industrial Development Secretariat (SHCP), because of increases in the prices of raw materials, several industrial sectors are "just waiting" to negotiate new prices. Meanwhile, Mexican Securities Exchange [BMV] documents show that these companies are drafting various financial plans just to survive. These plans range from maintaining strict credit and collection controls and reducing fixed charges to the postponement of investment projects.

For certain companies, the priority is to hike consumer prices, because raw materials have become more expensive. For instance, a 10 percent increase was agreed upon for sugar, and a 15 percent increase was agreed upon for sugarcane. However, these increases are not definite, because authorities have only promised sugarcane producers that they will authorize two staggered [deslizado] increases of 2 percent each.

Increased costs incurred by the bottling, bread, cookie, chocolate, and candy industries, among others, stem from increases in the price of sugar. These industries are negotiating price hikes for their products.

SHCP documents also indicate that refreshment and cigarette producers are still negotiating with authorities, because, although it was decided to increase their prices, the exact amounts of the increases are still being discussed. The Domestic Trade Policies Directorate of the SHCP provided this information.

Meanwhile, the BMV indicated that, because of declining sales, operations being conducted by firms such as San Cristobal Industrial Co. to maintain a healthy structure will include the adoption of strict credit and collection controls, the implementation of a program to reduce spending, and the streamlining of its product line.

Meanwhile, the Mexican Bottling Group will place $40 million worth of commercial paper on the market. The funds from this sale will be used to refinance maturing current debts.

The Maseca Group announced it will postpone plans to produce packaged bread in Mexico City, because it believes demand will center on corn tortillas. This project was originally slated to be implemented at a huge plant scheduled to be built by late 1995.

The Luxor Rugs Co. is negotiating with Alpha and Shaw, among others, for the sale of 29.4 percent of its fixed assets and 34 percent of its inventory, as well as the transfer of 61 percent of its accounts receivable.

Firms such as Sidek have announced they will not pay their debts, although Sidek later reconsidered its position. Of the companies that make up this conglomerate, Situr has reduced its promotional and marketing expenses, mothballed two projects in Mexico City and Guadalajara, and proposed the expansion of its large tourist projects.

Other groups, such as ICA [expansion unknown], are breaking even. This company announced it had amortized and paid $93 million worth of interest, because it has cash in foreign currency. The company has $223 million in cash and dollar investments, while its liabilities amount to $154 million. ICA stressed its commitment to pay amortizations and interest in accordance with established maturity dates.

Meanwhile, Telefonos de Mexico will be unable to honor the commitments it made when it acquired the concession for additional service, because it believes it will be unable to reach the 12 percent annual growth rate forecast for the installation of lines.

Among the various sectors, the shoes, steel, toys, wood, and textile industries are being hurt the most. As for the textile sector, the National Textile Industry Chamber pointed out that increases in raw material prices for this sector have made it less competitive, thereby jeopardizing the survival of its companies.

Importers are also facing hard times. In this regard, the Foreign Trade Corp. explained that shipments in some of the country's ports are expected to decline 20 percent because of drops in imports.

Information provided by Inverlat Financial Group indicates that companies with foreign capital will maintain their investment plans. Such is the case with Sears Roebuck, which is planning to invest $450 million within the next five years to increase its number of stores from 50 to 80 during this period. Sears Roebuck will even open two new stores this year—one in Monterrey and one in Celaya. The 7-Eleven Co. also is planning to

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expand here. Other companies that have ample foreign capital also are planning to expand.

Banking Commission Decrees Preventive Reserves Creation

PA2802120295 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 24 Feb 95 p 1

[Report by Luis Martin Gonzalez Guadarrama]

[FBIS Translated Text] The National Banking Commission (CNB) has determined that banks must create preventive reserves [provisiones preventivas] of up to 60 percent of their matured portfolios, in addition to the reserves that they have been creating on a quarterly basis, because the country's current economic and financial situation has increased banks' credit risks. That fact has not been reflected in the banks' financial statements through the normal process of rating and establishing provisions for their credit portfolios.

The CNB said it is advisable that the banks take precautionary measures so they can face eventual losses and remain solvent.

The CNB specified that banks will create additional reserves on a monthly basis with the difference between the balance of Account 2505, called Preventive Reserves, to cover credit risks and 60 percent of their mature portfolio, or 4 percent of their base portfolio rating for that month. This does not prevent the CNB from determining a different amount of necessary preventive reserves based on a revision of the respective credit portfolio.

The organization adds that to prevent the various policies followed by credit organizations for the implementation of these provisions from having an unfair impact on the calculation of additional reserves, the sum of the reserves implemented or to be implemented as of 1994 will be considered within the category of matured portfolio and preventive reserves, and only for the effect of this calculation. This will not imply a modification of the acounting criteria currently in effect.

Circular No. 13254-1137, issued by the CNB to the multiple banking organizations, also adds that the matured portfolio and the credit portfolio in dollars used as rating bases, as well as the preventive reserves and implementations, will be valued at the exchange rate of five new pesos to the dollar, for these calculations only.

In any other case these categories must be valued at the exchange rates established by applicable reserves. The CNB may modify the results of the additional reserves' calculations and order the registration of the necessary amount, if it detects that the amount of the matured portfolio has not been established according to banking methods.

Regarding this issue, the CNB stated that the accounting records for additional reserves for credit risks will be under account No. 5125, called appropriations to create general provisions for the credit portfolio, or under the capital reserves account or the unallocated funds account.

These additional reserves will be considered reserves for B and C level risks; and the calculation and registration of additional provisions will begin this month, based on January's balance. The month's results must be submitted no later than the end of the month. In subsequent months, the this information must be provided in the first 10 days of the following month.

In March, June, September, and December the banks must register the necessary preventive reserves that result from the evaluation—establishing the difference mentioned in Point No. 1—of the balance in Account 2505, including the provisions derived from this evaluation. The circular was signed by CNB President Eduardo Fernandez Garcia.

It is appropriate to mention that, according to preliminary information from the Mexican Securities Exchange, only six credit organizations have revealed the level of their matured credits. Atlantic Bank has a matured portfolio of 1.5512 billion new pesos (49.28 percent more than at the end of 1993); Banorte reported the sum of 613.1 million new pesos (a 104.1-percent increase) at the end of 1994; and Union Bank shows a 100-percent increase by reporting 1.5994 billion new pesos. Comermex reported a 66.82 percent increase, 2.6423 billion new pesos; Confia reported an 83.46-percent increase in its matured credits, 777.9 million; and Cremi Bank ended 1994 with a 151.50 percent increase, 1.0793 billion new pesos.

Responsibility for Current Crisis Examined

95CA0141A Mexico City LA JORNADA in Spanish 19 Feb 95

[Commentary by Jose Agustin Ortiz Pinchetti, citizen counselor of the Federal Electoral Institute: "Who Is Responsible?"—received via Internet]

[FBIS Translated Text] Are you a doomsayer? You have good reason to be. Over the past 75 days, $23 billion have left Mexico. The dollar has gone from 3.5 to 6.1 new pesos. The falling stock market is nearing the fateful 1,700 level. Employer representatives are accusing the government of paralyzing economic activity through uncertainty. Overall output in the country will be up less than one percent in 1995, with a six percent drop in employment.

The Presidency of the Republic (supported or pressured by interest groups) has forsaken negotiation and dialogue and used force to enter Zapatist zones. The Zapatists are taking refuge in the ravines and jungles, but there are at least 12 other groups in the rest of the country that are prepared to attack towns and block roads.

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The 17 January political accord, which many of us cheerfully welcomed, has been virtually frozen. A well articulated oligarchy is prepared to sabotage and block any in-depth reform and, in turn, is incapable of offering an alternative.

All of these developments dictate an instinctive response. Who is responsible for this disaster? Many people both here and abroad are certain that the people of Mexico themselves are to blame for this disaster. They are thought to be lazy, incompetent, and unenterprising, and therefore, unable to rise above these difficult times. This is nothing but mean-spirited prejudice. Over the past 10 years productivity has risen by more than 100 percent. While a host of mid-sized and small firms dissolved, the unemployed became small businessmen, joined the "underground" economy, and kept on producing with hard work and ingenuity. Millions of peasants were driven by "agricultural liberalization" to emigrate to the big cities to look for work. The urban population grew by more than 60 percent in 10 years. Many others with more adventurous spirits found the answer in the United States, crossing deserts and rivers and crawling through sewers in border cities. More than 15 million Mexicans have peacefully invaded the United States during the neoliberal era. The masses have endured a 40 percent drop in their purchasing power, due to mistaken policies, poor administration, or outright theft. They have remained disciplined, working peacefully, almost stoically.

In 1949, Manuel Gomez Morin was asked what Mexico's worst problem was. Without batting an eye, the founder of the National Action Party (PAN) replied: "The ruling classes." What did the elites do in 1994? The big business groups are blaming the government today for the crisis. We ought to ask them how they responded to the need for an open, free, and participatory market. They demanded and got more and more concessions from the government at the expense of the workers. Many joined forces in shady deals with the politicians, and the largest of them formed monopolies and oligopolies. A swarm of 140,000 families has finally driven Mexico to economic destruction.

And what about the politicians? In spite of the countless signs of deteriorating economic conditions, the loss of self-determination, and unnecessary concessions to the reactionaries, Mexican politicians have not budged. They cling to authoritarian expedients and the same old intrigues.

The opposition parties have not acted altogether responsibly. No one can deny their virtues, but they were slow to act. PAN's excessively close ties to the government and the neurotic intransigence in some sectors of Cardenism scuttled chances for the definitive reform that Carpizo proposed in 1994, right after the elections, and could scuttle them again now.

The oppressive groups, the beneficiaries of the regime both here and abroad, are perhaps among those most to blame. Operating from the shadows, they secure advantages through blackmail. They are tremendously greedy; the only thing that will stop them is the destruction of the victim: the economy and governability of Mexico.

And what about Mexico's callous creditors? They have gotten more than $200 billion in debt-servicing payments from the country. At some point the burden of the public and private foreign debt will cause the economy to collapse. The waves of unemployed will see the United States not just as the promised land but as a refuge. There is talk of sealing the border. With what technology, with what army, and at what cost?

What about the intellectuals? After 1968 the Mexican State began selectively providing more and more sinecures and support to the intelligentsia. Is this why, with few exceptions, it failed to criticize a model that steadily widened the gap between classes and castes in Mexico and brought on the loss of autonomy and the perverse new forms of authoritarianism?

What about the Church? Many priests used to work in "the pastoral of the poor." Today they are accused of being the instigators of neo-Zapatism and of being jointly responsible for the drop in the stock market. But the great majority of bishops and the most important currents within the clergy and lay groups just talked and talked but did nothing similar to what their colleagues in Chile, Poland, and Spain did for democratic change.

It may be cathartic to seek out culprits. But it is more useful to seek a solution. Some see it as renewed consideration of a national agenda, even a new constitution. All of these ideas are correct. It is much more important today, however, for the Mexican elites (predominantly native Mexicans) who control power, wealth, public opinion, and minds, to quickly conclude an accord of collective salvation that covers the following points, among others: 1. Strengthen, not weaken, presidential leadership; 2. Do not put off political reform, and do away with the grotesque "selective democracy"; 3. Redress grievances: punish the worst crimes and investigate Salinas and those responsible for the financial disaster, but do not conduct a "witch-hunt," and grant total amnesty to all other members of the "nomenklatura"; 4. Make room for accurate reporting of the news; 5. Guarantee jobs, schooling, and food; 6. Put an end to persecution, demilitarize Chiapas, and pressure the guerrillas to disarm; 7. Renegotiate the foreign debt with sensible toughness; 8. Promote productive investment and discourage speculation; 9. Make a commitment that will prevent massive capital flight, and 10. Keep wages and prices under control.

Conglomerate Pays EC Bond Maturities

PA1802193795 Mexico City NOTIMEX in Spanish 2136 GMT 17 Feb 95

[FBIS Translated Text] Mexico City, 17 Feb (NOTIMEX)—The Sidek Group reported today it has

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paid its European commercial bond maturities amounting to $29.5 million, after foreign banks assured they will regularly finance its future operations.

In a communique, the conglomerate, which consists of the subsidiaries Situr, Simec, Simsa, and Kapital Haus and which controls approximately 240 companies, stated that $4.5 million of this amount corresponded to notes that matured on 15 February and $15 million to notes that matured on that same day.

In addition, the conglomerate has paid $10 million to its foreign creditors, an amount corresponding to European commercial bonds that will mature on 21 February, the communique stated.

Sidek, which is believed to be the country's largest group in the steel and tourism sectors, also explained that after it announced on 15 February it had suspended its payments due to a lack of liquidity, it was able to resolve its situation due to its creditors' willingness and resolve.

"The company's payments were made after it explained to its main banks its willingness to maintain its short-term lines of credit and to regularly keep financing its future operations," Sidek stated.

Sidek used its treasury resources as well as the capital generated by its foreign account receivables to make the payments, the document stated. In the communique, the group explained that the maturities of its short-term liabilities in Mexican pesos will be liquidated normally although it will seek the voluntary renovation of some of them.

Moreover, the conglomerate stated it is revising its business plan with its creditors, as well as its operation system, emphasizing the completion of new projects and the improvement of its operations.

Sidek Deputy Director Julian Franco Oyanguren reported in the western city of Guadalajara today that the group reorganized its 1995 investment program and that it will invest only 80 percent of the $240 million it had originally budgeted.

This decision had been made before the conglomerate faced liquidity problems, because "the country's new conditions forced an overall change. The important thing is, however, that we will maintain our investments," the official said.

Franco, the only spokesman Sidek has authorized, said the new strategy compelled them to significantly reduce its participation in the construction of city hotels, but the Eastern Mandarin project, a luxurious hotel being built in Mexico City, will be kept, "because it is focused on a specific market segment that is not facing problems emerging from the crisis," he said.

Another segment that was cut back was the construction of houses, an activity which Sidek had just begun to undertake, because now is not the right time for us "even though it is largely viable," Franco assessed.

The official also said the conglomerate's development strategy will be focused basically on beach hotels, steel production, and commercialization.

In the current winter season, the beach hotels Sidek is operating through its subsidiary Situr had the highest occupancy rate in the last five years, but "the spring and summer prospects remain unknown due to the country's current situation," he maintained.

Franco recognized that this is a great paradox, because those sectors profiting from the situation the country is facing are feeling the pressure exerted by the lack of liquidity, which may be serious.

According to the group's deputy director, benefits could be obtained from every crisis, and the evolvement of the national economy itself will be the one that will dictate the steps the conglomerate will take. "If there is a hotel or steel production demand, the group will supply it. Sidek has always maintained this position and will continue to maintain it, because it is a viable business that will overcome the crisis," he concluded.

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Guatemala

URNG Letter Accepts UN Proposal for Peace Talks

PA2802181695 Guatemala City PRENSA LIBRE in Spanish 25 Feb 95 pp 1A, 1B

[Quotation marks as published]

[FBIS Translated Text] Yesterday, the four commanders of the Guatemalan National Revolutionary Unity (URNG) sent a letter to UN Under Secretary General Marrack Goulding accepting the proposal for continuing peace negotiations with the government.

Commanders Rolando Moran, Pablo Monsanto, Gaspar Ilom, and Carlos Gonzalez signed the letter sent by the guerrillas to the United Nations. Carlos Gonzalez was also a signatory, in his capacity as secretary general of the Central Committee of the Guatemalan Labor Party (PGT).

The text of the letter reads:

"We thank you for your letter dated 17 February, in which you enclosed the document 'Proposals for Continuing Negotiations Between the Government of Guatemala and the URNG.' We reiterate our recognition of the UN's effort and its concern that our peace process get back on track.

We have studied the text and the six points carefully. We use this opportunity to let you know that we accept this proposal, based on the following specifications:

1. We accept the establishment of a reviewed timetable so long as it fully guarantees discussing, analyzing, and agreeing on substantive issues, without any restrictions related to time or political resolve.

2. Establishing dates gives us a working guide, a temporary future, and a useful instrument for activating the negotiating process and achieving satisfactory agreements. In no case should these dates impose a strict time limit.

Within the smooth framework of flexibility and of what is essential, we emphasize that our concept of negotiations is based on the content of the agreements and their significance. This observation cannot be changed.

3. We agree that mediators should prepare initial drafts that will serve as a basis for negotiation on each topic. These should be based on proposals by the parties and on consensus documents from the Civilian Society Assembly (ASC). But our understanding remains that these drafts will be used as working documents at the negotiating table.

The parties must view this as such and in that spirit. This cannot be viewed just as the position of the United Nations. The parties should be open to observations, analysis, and proposals based on this position until the final agreement is reached. The two parties must decide on the final agreement.

Within this framework, it is appropriate to reiterate that the UN's role and participation is that of a mediator. Its power to make proposals fits within that role as stipulated by the framework agreement.

4. Among the measures proposed for strengthening the credibility of the peace process, we believe that anything pertaining the Overall Agreement on Human Rights deserves consideration and special requirements.

While acknowledging that this is the only agreement that for over a year has had full validity and can be specifically verified, and that the very issue of compliance with the agreement and its expression constitutes clear improvement in respect for human rights in the country, it also presents an alarming contrast to the current situation that is in fact very distant from the agreements reached.

We place a high value on the creation and operation of Minugua [United Nations Mission for Guatemala]. For this reason, we deem that it must remain in place and be strengthened.

5. As for military operations, and as long as the parties do not agree to a cease-fire and before it enters into force, the URNG stresses its commitment to respecting the Overall Agreement on Human Rights.

This agreement seeks to alleviate the suffering of the civilian population, protect human rights, and facilitate Minugua's work, as well as that of all national organizations responsible for protecting and promoting human rights, along with stipulations of the International Humanitarian Law.

As an additional gesture of trust, the URNG hereby offers to suspend those acts of sabotage that have no military implications.

It reiterates its resolve to comply strictly with the security commitment to guarantee Minugua's operation.

Further pledges on military operations are very difficult and delicate in the absence of other established terms.

Reiterating once again our willingness to resume negotiations promptly, we ask that the proposed revised timetable take effect as of 15 March."

Nicaragua

Growth in Banking Activity Noted

95P20560A

[FBIS Editorial Report] Managua LA TRIBUNA in Spanish of 11 February 1995 on page 5B reports that, according to a report by the Superintendency of Banks, checking account deposits grew 42.9 percent in 1994 compared to 1993. Savings deposits increased 64.7 percent while fixed deposits grew 60.4 percent. The article explains that as a result of this growth, five private banks are planning to open branches in Matagalpa and

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Jinotega, and five in western departments. Banco Mercantil's deposits in dollars showed an 88 percent increase while dollar deposits in Banades [National Development Bank] and Interbank grew 75 and 52.8 percent respectively. Financial experts explain that reasons for the growth in commercial banking include "the flow of funds from abroad" and "confidence in the financial system's stability."

Update on Property Legislation

95CA0114A Managua EL SEMANARIO in Spanish 26 Jan 95-1 Feb 95 p 4

[Article by Jorge Katin]

[FBIS Translated Text] Amid the whirl of activity that the process of reforming the constitution has stirred up and the administration's resulting opposition to these reforms, another no less important bill is in the wings, its weapons hidden, ready to unleash what could be the biggest political battle of 1995: the Bill To Put an End to the Property Problem.

As of this week two bills have been officially submitted to the secretariat of the National Assembly, where they wait to be introduced for consideration by the lawmakers. Other political groups and sectors interested in the issue have threatened to introduce their own bills, however.

Last year the Sandinist bloc introduced a bill called the "Property Stability Act," and the bloc of the National Conservative Party submitted one entitled the "Properties Restitution and Regulations Act." The two bills have the same purpose: to solve the country's main problem, but they point in opposite directions and must be reconciled during debate.

The differences between the two bills are obvious from the outset. The Sandinist bill says in Article Two that "it shall apply to the properties acquired under the Agrarian Reform Law and Laws 85, 86, and 88, and the acts privatizing state-run enterprises...." In contrast, the first article of the Conservatives' bill states that "the favorable resolutions handed down by the Review Commission created by Decree Law 11-90 are public documents," and Article Three says that "pursuant to the resolution, the beneficiary (the person whose property was confiscated) shall ask the president of the republic to repeal the decree or other confiscation, expropriation, encumbrance, or attachment measure...."

The Sandinist proposal seeks first to lend juridical and legal backing to the distribution of urban and rural properties in accordance with the criteria set forth in Laws 85, 86, and 88. Later on, however, we shall see that it also provides those whose property has been confiscated with alternatives. Nevertheless, the spirit of the bill is to lend stability to the beneficiaries of these laws. The Sandinist bill never questions the act of confiscation, based on Decrees 3 and 38 of the Government Junta of National Reconstruction that was established after the triumph of the Revolution.

In contrast, the Conservative bill is designed from the outset to reestablish the rights of the owners of confiscated properties, on the basis of the resolutions of a Review Commission established during the first year of President Chamorro's administration.

The Conservatives take the beneficiaries of Laws 85. 86, and 88 into account but establish restrictions not set forth in these laws, and this could create uncertainty among thousands of new property owners.

The Sandinist Bill

The essence of the Sandinist bill is that "the purchasers of lots or real estate with structures that are less than 100 meters whose Review Certificates [Solvencia de Revision] have been delivered to them or will be when this law takes effect, must also receive free of charge their Disposition Certificate [Solvencia de Disposicion].... When the real estate is larger than 100 meters or when they have obtained their Review Certificate or will obtain it when this law takes effect, their properties shall be subject to a tax equal to 20 percent of the assessed value updated to the date of payment...."

The Conservative Bill

The Conservative bill provides the following: "The State shall proceed to decree the expropriation of real property on public-interest grounds and compensate the rightful owner in the following cases.... In the case of urban dwellings or lots surrendered pursuant to Laws 85 and 86, as long as their occupants have fulfilled the requirements set forth in these laws and as long as the urban real property as represented by the land and dwelling does not exceed 100 square meters and has a current assessed value not greater than 30,000 cordobas in Managua, 20,000 along the Pacific and in the center of the country, and 15,000 in the rest of the republic."

As far as other aspects are concerned, the Sandinists propose in Article 11 that "individuals purchasing real property who obtained or are obtaining the Review Certificate under this law may not be sued by the previous owners."

The Conservatives, for their part, propose that "should the transfer to an individual, institution, or municipality have been effected through the award of a title or usufruct deed, the claimant may appear before the corresponding court to demand the invalidity of the title with the resolution of the Review Commission in the event that there is no decree to repeal or with the confiscation or expropriation decree. The claim shall be processed in a summary proceeding...."

As we can see, whereas the Sandinist bill rules out a suit against an individual beneficiary, although it does preserve the right to sue the State, the Conservatives emphasize the right to use the courts at all times without regard for the type of confiscatory decree that may have been applied.

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There are differences throughout the two bills submitted to the first secretariat of the National Assembly. Nevertheless, if the aim is to resolve this problem the best way possible for all sides, many of these differences can be reconciled as long as politicians, the affected parties, and the beneficiaries bury their animosities and desire for revenge.

The task is a difficult one, but if a consensus has been achieved on the Military Law and the first part of the constitutional reforms, why can't one be built on this issue of vital importance for the country's future, on which its political and economic stability depends?

1996 Political Alliances Previewed

95CA0114C Managua EL SEMANARIO in Spanish 19-25 Jan 95 p 10

[Article by Jorge Katin]

[FBIS Translated Text] 1995 will be a year of campaign decisionmaking, with all of the consequences that such campaigns bring for the country and for political parties. In other words, this year candidates for popularly elected posts will be cropping up all over, and the strangest alliances will be formed.

The alliances that have been established so far have revolved around short—term issues, with the National Assembly as their point of convergence. We have thus seen two clearly defined, albeit oddly constituted blocs form with a view towards the election of the current congressional officers. One of them comprises the extremes of left and right, backed by the influence of the administration, which includes a sector whose place in the electoral puzzle we will see later on. The other consists of Christian Democrats, Social Democrats, and the moderate left.

These alliances should be no surprise to us, since they are not final, as we have already started to notice. As the months pass, however, and when time begins to press owing to electoral concerns, every ship will seek its port.

The reforms of the constitution have shown us that anything is possible in politics. We have thus seen the FSLN [Sandinist National Liberation Front] paired with the PLC [Constitutionalist Liberal Party] and the administration, and the FSLN bloc, which is dominated by sympathizers of the Sandinist Renewal Movement, establishing alliances with the Christian Democrats and other Social Democratic parties. This does not mean that these blocs will last the year or will team up for the elections. Not at all.

It is hard to imagine that the 1996 ballots will show the symbols of parties running on their own, on the basis of their own electoral strength. Neither the PLC nor the official FSLN, which are presumably the best organized parties, would dare run the risk of being eliminated in the first round of voting if the constitutional reform providing for a second round of balloting when no party wins 45 percent of the votes has in fact been approved by then.

The most recent political developments in the country, such as the Military Law and the constitutional reform, and the ones soon to come have led to the formation of four major blocs in which each party or political force can play its hand, depending on its view of current conditions and the nation's future.

The Far Right

It is not difficult to predict an alliance on the far right, bringing together the current liberal parties and, perhaps, though not too enthusiastically, the conservative parties, at least the National Conservative Party (PNC). Liberal unity is in trouble now, with all of the leaders plotting and scheming against each other. Nevertheless, when campaign time comes, their differences will have to be put aside for another day, and they will at the very least hammer out a pact to join forces and run as a viable force that is united in the eyes of the public.

Some sectors of the former Nicaraguan Resistance and the PNC will probably join this alliance on the extreme right, which will presumably campaign on the virtues of the Somozist economic system. In fact, they have already done so during the regional elections along the Atlantic coast, and with good results, although they have not kept their word after the elections.

The Center Right

A second bloc is positioned on the center right. The center-right bloc will be headed by the current Executive Branch and its technocrat politicians who want to preserve the neoliberal status quo. The Social Democrat parties and the small ones that belong to the current Center Group in the National Assembly will be the party representatives. But they will not be its sole source of strength, because Antonio Lacayo, the alliance's virtual candidate, has been doing organizational work for more than a year now, using small social projects financed by the government through the FISE [Emergency Social Investment Fund] and other similar programs.

Some businessmen and the new economic power groups that formed during the regime and that benefited from bank loans authorized at the highest level will presumably back the political campaign of this center-right bloc, which will argue that only the current leaders can continue the economic program and the program of social peace. Only a constitutional reform could sideline Antonio Lacayo and President Chamorro herself, who has not ruled out reelection.

Center Left

A third electoral alliance or bloc stands on the center left, and its visible leaders are renewed Sandinism, Christian Democracy, and other Social Democratic forces.

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Dr. Sergio Ramirez has already announced the formation of a new Sandinist Party, which is still in the embryonic stage, but with the elections two years off, he still has time to make headway in this regard. The Christian Democrats will probably be the main allies of the center-left option.

This bloc will probably focus its campaign on the formation of a government of national unity that contrasts with the radical political and economic plans of both the far right and far left.

Far Left

The far left, headed by the official FSLN, will have a hard time finding allies with sufficient organizational strength. We will thus likely see the resurgence of small parties like the Revolutionary Workers Party and the Marxist-Leninist Movement, which are politically ostracized at present. Center-right or center-left groups are unlikely to risk an alliance with the official FSLN.

If none of these alliances receives enough votes in the first round to take power, the picture that we have painted would presumably change radically in the second round of balloting, in which we would have to choose between two options at the most.

With the election campaign 18 months off, predictions are risky, but the signals that we have been getting from the political parties and their recent confrontations and alliances suggest to us that the scenario we have described is the one that we will most likely see in November 1996.

LA PRENSA Wins Preference Poll

95P20562A

[FBIS Editorial Report] Managua LA PRENSA in Spanish of 12 February 1995 reports on page 1 that LA PRENSA is the most popular Nicaraguan newspaper, according to a poll conducted by the Unidata Company in December. The article explains that 500 Nicaraguans between the ages of 18 and 59 were polled by Unidata, a company which specializes in market research. The survey studied preferences for consumer products, services, commercial establishments, and the media. Thirty-one percent responded that LA PRENSA is their preferred newspaper. The article also reports that a survey conducted by the Multivex company in September and October revealed that 13.3 percent of respondents chose LA PRENSA, followed by: EL NUEVO DIARIO, 11.7 percent; BARRICADA, 9.7 percent; and LA TRIBUNA, 6.3 percent.

New Media Director Profiled

95CA0114B Managua EL SEMANARIO in Spanish 26 Jan 95-1 Feb 95 p 6

[Interview with Media Director Mario Francisco Amador by Walter Lacayo Guerra; place and date not given; first two paragraphs are EL SEMANARIO introduction]

[FBIS Translated Text] Mario Francisco Amador Rivas is a 35-year-old native of Matagalpa who graduated from the UCA [Central American University] in business administration and has taken an advanced training course at INCAE [Central American Institute of Business Administration]. In recent years he has served in the dual post of executive director of FUNDE [Nicaraguan Development Foundation] and executive secretary of INDE [Nicaraguan Institute of Development]. He is a member of the Board of Directors of an INDE program called Young Entrepreneurs of Nicaragua, which is trying to develop an entrepreneurial mind-set among Nicaraguan youth. Although he admits that he does not have experience in the media and is not a politician, he has been named director of mass media of the Office of President of the Republic.

How was he chosen for the post? What is his view of freedom of the press? How will the Directorate of Mass Media (DICS) and the government's media operate? Is he committed to the political ambitions of his boss, Antonio Lacayo? Here are his responses.

[Lacayo] How is it that you were appointed to the post of director of mass media of the Office of President?

[Amador] Some newspapers have said that Cristiana Chamorro had been trying to convince me for some time. That is completely untrue. I knew Cristiana only through the papers; The first time in my life that I saw her in person was on Wednesday 4 January of this year. I met on that day with the representative of the Konrad Adenauer Foundation and got a phone call from the Office of President; I was told that Antonio Lacayo and Violeta Chamorro wanted to talk something over with me. I came here, and they offered me the post. I had been recommended to them as an excellent organizer. The representative of the foundation said that I was his best counterpart in Nicaragua, and they asked me to take over something that was quite disorganized, the government's mass media area.

[Lacayo] Did the current minister of social action, William Baez, who had previously been director of FUNDE, influence your appointment to the post?

[Amador] William is an excellent person; he was my predecessor at FUNDE. At present, the four of us who have been executive directors of FUNDE are working with the government. The first was Roger Quant Pallavicini, the ambassador in Geneva; the second was William Baez, the minister of social action; the third was Carlos Noguera, the executive director of the FISE [Emergency Social Investment Fund], and now me. As you can see, the directors that FUNDE has produced have gone into government.

[Lacayo] That gives further reason to believe that William Baez was the one who recommended you.

[Amador] I really don't know whether William spoke with Lacayo. The phone call surprised me greatly

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because, in the first place, I am not a politician and I do not belong to any party. I was told, however, that there are components to this job that had never been brought together. First there was Dr. Danilo Lacayo, who is an excellent public-relations man but not an organizer. Then came Ernesto Robledo, who is a very fine publicist but is not an administrator either. Then there was Dr. Luis Rivas Leiva, a marvelous politician but not an administrator. The intention now is to combine some of these things. This is why I was named manager of the enterprise, Luisa Marenco was put in public relations, and Maria Alicia Talavera was appointed to take care of the news media.

[Lacayo] Did you set conditions for accepting the post?

[Amador] Yes. One was that I had to be free to spur actions that I thought should be taken. Another was the support of the government to salvage the media that it owns: Channel 6 and Radio Nicaragua. And third, they could never come to me and say: "Don't look into this issue." In short, this should be run like a business. This is why the government is going to set up its mass media enterprise, consisting of the radio and TV stations and the Mass Media Directorate.

[Lacayo] What will the enterprise's function be?

[Amador] Basically to optimize the existing resources. For example, Channel 6 has reporters with TV equipment; the radio station has reporters, and we here in the DICS have reporters, and they all cover the same stories. This cannot continue.

[Lacayo] Have you set your priorities for this year?

[Amador] The restructuring of Channel 6 and Radio Nicaragua, to try and make them profitable and give them good national ratings. The presentation formats have to be changed, as does the programming. And resources need to be optimized. Moreover, both the radio station and the TV channel must cease to be the exclusive media of the Office of President and give coverage to the entire government, including the ministries and the other branches of government.

[Lacayo] Moving on to something else, what do you think of a professional association of journalists?

[Amador] I have been asked that question ever since I was in the INDE. Although I am not a journalist, I have said that a professional association is important because it could improve or strengthen the profession, especially if it is an open association that does not restrict the journalists with years of experience who are not graduates of schools but who in some cases are more journalist than the graduates themselves.

[Lacayo] How do you feel about the lack of a Mass Media Law in Nicaragua?

[Amador] I think there should be a Mass Media Law, not so much to regulate the media themselves but to control cases such as Radio Ya, whose microphones are being used to insult people. This sort of thing ought to be regulated by a law to guarantee journalistic ethics.

[Lacayo] Lacking a Mass Media Law, the government cannot censor anyone, but it has used another method, the advertising embargo. What do you think of this?

[Amador] I think it is unfair. This is a mistake that the government has lapsed into. It is not healthy to try and buy silence from the media in exchange for paid advertising. One of the things that I have been asked to do is to find ways of democratizing government advertising so that it gets to everyone, without political commitments.

[Lacayo] Is it true that your contract implicitly says that you will be responsible for running Antonio Lacayo's presidential advertising campaign?

[Amador] No, no way. As I explained to you, I do not belong to any political party and I think that Lacayo's candidacy is not a sure thing. The matter of ineligibility is dealt with in the constitutional reform. The campaign that I am going to run is the entire governmental advertising campaign, which is not the same as an election campaign.

Panama

Planning Minister Outlines Economic Policy

PA2602025795 Panama City EL SIGLO in Spanish 21 Feb 95 p 54

[Report on interview with Guillermo Chapman, planning and economic policy minister, by Carlos Singares in Panama City; date not given]

[FBIS Translated Text] "There are no specific facts to support the fears that amendments to the Labor Code will affect salaries or the minimum wage," Guillermo Chapman, planning and economic policy minister, affirmed during an interview on vital economic topics.

Chapman, who is in charge of implementing the policies and economic plan of President Ernesto Perez Balladares' administration, openly admitted that he "wants money from the international financial institutions" but said that he will not allow uncontrolled debt accumulation, as was done in the past. This is in response to the political sectors which accuse the current administration of trying to put the country further into debt.

With respect to the Labor Code amendments, Chapman was more specific when he said that the Code "is neither an impediment nor an obstacle to modernization. It makes it more difficult because of its specific elements and because it creates a very negative psychological climate." Chapman noted in a firm and categorical tone that he and Mitchell Doens, labor and social welfare minister, agree that "salary levels do not hurt our competitiveness."

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"The idea of adjusting salaries is a big mistake, and we would gain nothing by it. We would only create massive panic in our country," he explained.

The Perez Balladares administration has set a goal of committing no more than 20 percent of the central government's revenues to foreign debt payment and lowering the debt balance by one point of GDP. The foreign debt would gradually be reduced as the impact of each negotiated loan is felt on the national economy, Chapman added.

A majority of people do not understand the nature of Panama's economic problems. Why? Chapman answers:

"The answer is in the nature of the economy itself and in some economic institutions, among them the monetary system. In this country there are no crises in the balance of payments and no monetary crises. In fact, there is plenty of currency." In other Latin American countries, the popular classes are experts in balance of payments due to the daily fluctuations and changes in the various currencies. That is not the case in Panama, where the dollar gives us a monetary and economic stability that is unique in the area.

Panama, as a country, must face economic changes imposed by the modernization of the world economy.

"The adjustments to the Panamanian economy to make it more competitive are very moderate, very mild compared to the adjustments other countries must make," said Chapman. Such was the case in Venezuela during the administration of former President Carlos Andres Perez, who today is in prison facing criminal charges for embezzling millions of dollars from the state. Venezuela had to begin with a devaluation and adjustment of the bolivar foreign exchange rate system, which gave special treatment to imports of food, medicine, and some staples. "The living conditions of Venezuela's popular classes changed dramatically with those measures. The Panamanian system will not allow that to happen," Chapman added.

Compared to the Ford Plan and former President Guillermo Endara's government proposal, which were harshly criticized at the time, the current administration has proposed adjustments and measures that make up "four main aspects of the policy to manage the economy."

"The first involves concentrating efforts on attacking social problems," Chapman said. "The second introduces discipline and modernizes government management; utilizes savings from operating expenses to invest more; implements a more disciplined management of the public workforce; and opens up basic services of water, power and telephone to private investment. The third aspect involves making the private economy more competitive. This implies measures that affect the business sector and measures to make labor relations more flexible and modern. The final aspect is to seriously implement a foreign trade policy that will open us up to larger markets."

As for differences between the proposed "Chapman-Perez Balladares Plan" and the "Guillermo Endara Economic Plan," Chapman said "this is our own economic document. It is not based on impositions by any international organization, does not appear on a loan contract with the IMF, nor has anybody told us to do this or that." He also stressed that "it is complete; it is an overall and congruent plan. These are not isolated measures we are taking to obtain financing."

When talking about economic topics, one must be very didactic and explicative. That is why it is important to note on the matter of "isolationism" that Panama cannot be "the tropical equivalent of Albania or North Korea, the last two holdouts not participating in the world trade current."

As Chapman noted when referring to Panama: "A nation with an extremely high level of protectionism, the highest in Latin America, a nation that wants to advance, has to look outward, especially if it is small.

"Protectionism in Panama is very high; domestic products cost consumers 40 percent more than imports."

Over the last few months the government has been severely criticized by major business groups which question Panama's negotiations to enter the new World Trade Organization (WTO), formerly known as GATT. Chapman responds to verbal attacks from "economic adversaries" by stating that "the government cannot represent the interests of a specific economic sector; it has to represent the interests of the nation."

One of the disadvantages of not belonging to the WTO is demonstrated by the fact that member nations recently sued the EEC over its policies restricting banana imports. Panama was excluded from those negotiations despite being an important producer and exporter of this product.

What would our entry into the WTO mean to the common people? "To the consumer, it means lower prices." The effects of joining the trade organization "will be seen the first year, and very significant results in two or three years," Chapman explained. He added that "upon entering the WTO, we would adopt other measures that make us more attractive to foreign investment."

The measures announced by the government have given rise to much concern as, according to business leaders, they will cause problems. We asked Chapman if Panama's entry into the WTO would cause a "shock" or trauma. "I do not foresee that; it will be done gradually. The government has proposed a series of measures to increase economic competitiveness to allow us to absorb those shocks," he replied.

"The generalization of incentives seeks what its name implies; that is, to create general incentives. That means that so far we have been implementing a policy of special incentives aimed at certain segments of the economy while neglecting other segments," he noted.

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For example, a company that has to import machinery pays a 27-percent import duty, while another company protected by Law 3 of 1986 pays around 3 percent. "The generalization of incentives will end that discrimination and place everyone on equal footing," Chapman stated.

"The United States is the least interested in negotiating with Panama. We have to sell them the political argument that the Canal transition is about to take place and that the future of the Canal depends on Panama's prosperity. The United States is interested in that. It would be a big failure for the United States and for us if the Canal is run poorly," Chapman said, noting that the United States has little interest in a small market like our nation.

The government proposes, through Chapman, a study of Panama's options for entering economic markets like NAFTA, made up of the United States, Mexico, and Canada; the Andean Pact; and the WTO. Government critics scoff and say that there are contradictions because the previous government proposed joining regional organizations, and President Ernesto Perez Balladares is proposing joining NAFTA.

Chapman responds: "I don't think there are any contradictions. Entering NAFTA could make us more attractive for foreign investment, more attractive to European and Asian investors who want to enter the U.S., Mexican, or Canadian markets and believe it is more convenient to do so from Panama," Chapman said.

Chapman announced that a law to defend competition will be enacted to detect and severely punish restrictive practices. This would include penalties for those who conspire to control the market, fix prices, and carve out markets to control other companies in order to hold the market. All these things will be severely punished.

The country's ports have not been excluded from the economic modernization plans. The announcement that a private enterprise operating in Port Manzanillo, Colon, has reduced container-handling charges to 75 balboas has created a serious situation considering that ports managed by the National Port Authority [APN] charges 400 to 600 balboas for the service. Modernization measures will make ports competitive at the world level. Chapman noted: "The APN has been forced into leasing the ports, beginning with Balboa and Cristobal."

Chapman added: "Why is a new tax being imposed on the Free Zone? To act in accordance with the principle of universalization of incentives. Just as we want everybody to have incentives, we also want everybody to pay taxes."

Chapman said: "We charge 1.5 percent on exports because records show it is very difficult to get Colon Free Zone businessmen to pay the income tax, which is 8.5 percent, and even with this charge we collect less than half of what we should."

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Argentina

Di Tella: Curbs in Spending 'Painful But Necessary'

PY0103025095 Buenos Aires TELAM in Spanish 1956 GMT 28 Feb 95

[FBIS Translated Text] Buenos Aires, 28 Feb (Telam)—On 28 February, Foreign Minister Guido Di Tella asserted that the curbs in government spending announced by the executive branch are painful, but necessary. He argued that the Argentine Government decided to take the bull by the horns.

In remarks made at the Jorge Newbery Metropolitan Airport, Di Tella said: "Cutbacks in spending are painful, but it would be even more painful if we were to adopt a weak or lax attitude in the face of problems."

Shortly before boarding the presidential plane to fly to Uruguay to participate in the farewell reception in honor of the outgoing Uruguayan president, Luis Alberto Lacalle, the foreign minister expressed the view that the economic measures "were very well received" by the public.

Accompanied by Deputy Foreign Minister Fernando Petrella and Ambassador Juan Jose Uranga [under secretary for Latin American affairs], Di Tella was the leading figure of the entourage that traveled with President Carlos Menem to Montevideo to attend the reception to be held in honor of Lacalle.

Commentary Views Economic Prospects, Budget Cuts

PY2802141895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2248 GMT 25 Feb 95

[Commentary by Daniel Casal]

[FBIS Translated Text] Buenos Aires, 25 Feb (NA)—The time for adjusting public accounts, contemplated to take place after the 14 May elections, has come upon us in an almost dramatic way in light of our deep fiscal problems. These problems are already threatening to overpower the defenses containing the financial crisis.

Economy Minister Domingo Cavallo decided not to wait any longer after analyzing the forecasts for February indicators, and in view of the IMF's demands for quick changes made after a detailed evaluation of the fiscal situation.

For the past year the economic situation has been following electoral needs, but at this time it will be less traumatic to implement a new adjustment than to let the crisis deteriorate.

Capital started fleeing the continent in February of last year, when the United States started increasing its interest rates.

The decision made a full impact on Latin American markets. In Argentina, various economists regretted the economic team's lack of precaution.

Cavallo and his team of advisers remained alert to the consequences of a changing scenario, although at first they considered that the very strong level of reserves would serve as a kind of sluice gate to minimize the effects of an early flight of capital. Besides, the economic team hoped to avoid the bitter pill of an adjustment so close to the crucial presidential election.

Almost a year was lost in this way, but in December Mexico collapsed, and the country's capacity to face the problem head on lessened considerably.

The budget reduction arranged at the and of last year was not enough to recover our credibility and give some oxygen to the Treasury.

The purpose of Cavallo's measures is to send positive signals to investors, who have become increasingly wary about the local market and fear that Argentina might follow in Mexico's steps.

International bankers consider Argentina to be the crisis' "Maginot line," in a graphic phrase used by an international news agency in reference to the defense line built by France during World War II to contain the advance of the Nazi army.

This means that investors will be looking at what happens in the country before making a decision about emerging markets.

Just as serious as the effect of the crisis was the tide of rumors that surrounded the financial market the past weekend.

In financial circles, the fall of banks or stock market societies due to liquidity problems was a sure thing, although the rumors were later systematically denied.

It was firmly and nervously sustained on 24 February, with dubious intentions perhaps, that the government would order a banking holiday on 27 and 28 February in order to prevent the flight of capital and implement a battery of measures.

The rumor did not have a solid base, mostly because Cavallo never implemented any bank holiday, not even during the most difficult periods of his administration, but no one dare deny, at first, that there was such a possibility now.

The rumor proved to be totally groundless around noon on 24 February, although the situation reflected the rarefied climate surrounding the economy.

The need to stop these rumors contributed to speeding up the announcement of the new measures. Had it spread it would only have increased the uncertainty.

On the other hand, economic authorities were already bearing the heavy burden of gloomy forecasts made by very influential economists and advisers of a great number of companies.

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For instance, a few hours before the urgent cabinet meeting, Miguel Angel Broda projected "increasing unemployment, dropping deposits, and decreasing long term credits."

Broda also said that the decreasing entry of foreign capital into the country "was not temporary, but permanent."

The government was also hurried by other needs, such as the need for a successful new approach to the IMF and the need to guarantee the success of the new bidding of Treasury notes.

The increasing difficulties in resorting to the voluntary financing market made it obvious, according to most analysts, that the decision to refuse the funds provided by the extended facility loan was premature.

That decision was made because government advisers thought the budget could cover all needs, but the seriousness of the situation forced them to step down from that position.

Popular Christian Party To Back Menem, Duhalde

PY2802175295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1657 GMT 27 Feb 95

[FBIS Translated Text] Buenos Aires, 27 Feb (NA)—The Popular Christian Party (PPC) today confirmed its support in the 14 May elections for the Justicialist Party [PJ] presidential ticket headed by Carlos Menem, and for the Buenos Aires gubernatorial ticket headed by Eduardo Duhalde.

The PPC reported its support for the ruling-party presidential and Buenos Aires gubernatorial tickets through a press communique, in which the PPC states: "We are thus joining the popular majority project that was started by General Juan Domingo Peron."

PPC President Orlando Zicarelli, who is also a deputy, indicated: "We support the political modernization plan of President Menem, his economic program, and the state structure." Zicarelli also praised Governor Duhalde.

Editorial Views Aftermath of Mexican Crisis

PY2102203595 Buenos Aires LA NACION in Spanish 19 Feb 95 p 8

[Editorial: "How to Face Uncertainty"]

[FBIS Translated Text] The reverberations of the Mexican crisis through the Latin American economies—and our country in particular—following the two months since its eruption are showing a tendency to become more acute, and threaten to generate a deep crisis that will be difficult to solve and whose consequences will be frightful. The considerable flight of capital from the region has rendered the markets bearish, has shaken the financial systems, and has devalued investments. Moreover, the shadow of a recession looms large in countries that, like Argentina, have been trying—quite successfully—to put their economies on their feet again following the dire situation of the lost decade.

Nevertheless, the sudden change in regional prospects is not due to the abrupt change in general economic conditions, but rather to an unexpected reversal of expectations, which brought about an about-turn in the flows of financial capital. Nearly overnight, Latin America, including our country, turned from a magnet for foreign capital into a scarecrow causing financial resources to flow out.

It is not, then, an economic problem, but rather a financial imbalance that came about due to an element that caused mistrust, namely the devaluation of the Mexican peso. Investors in leading capital markets are at present trying to distance themselves from emerging markets, especially Latin American ones, on which they gambled so much two or three years ago.

Being aware that the present afflictions are of a financial nature and result from structural problems, however, will not prevent their effects from spilling over into economic activities, causing—if they are not checked in time—recessionary tendencies, monetary pressures, and social and political unrest. This problem should not be underestimated and must be tackled through decisions, attitudes, and proposals that seek to boost confidence, so as to first contain the flight of capital and then reestablish the inflow of capital into our country.

Argentina will not be able to do without credit for some time, whether it be to renew totally or partially the capital of the consolidated debt, as it has been doing of late to maintain a market of government securities—including those that may derive from the consolidation of currently possible obligations—or to undertake structural reform programs. Over the last few years, given the considerable increase in consumption and the resultant decline in domestic savings, Argentina has resorted in massive form to foreign financing. Still, it is necessary to redress the balance and to let domestic savings play a more important role.

One has to bear in mind that, in a fundamental way, the financial resources that cross over the Argentine border—those that emigrated in the 1980's, those that have come back since 1991, and those that have flowed out over these last two months—are generated by the local economy, which has an important capacity to form savings.

It is always difficult to restore the credibility of the markets, which was basically deteriorated by the so-called Tequila Effect. Still, for the time being, such an endeavor demands an immediate rejection of any idea that seems geared toward imposing conditions or additional costs on capital movements. To that effect, it has been frankly regrettable and untimely that announcements have been made about a plan to stagger the maturity dates of term deposits, and to control placements that exceed certain sums by the General Tax Directorate. The same holds good for the president's recommendation to make deposits only in "serious banks," and remarks by Director Pedro Pou from the Central Bank to the effect that his institution had authorized "kiosks" to operate as banks.

On the contrary, recovering investors' confidence demands giving them clear signals of an equitable treatment in an

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open market, and exhibiting a conduct that assures the debtor state's respectability and solvency. In other words, a balanced budget, tight control of public spending, a sustainable flow of fiscal revenues, and a performance of monetary accounts that consolidates stability and the peso's convertibility. All this should, moreover, be proved with data that dispels all doubt.

The run on banks caused by the Mexican crisis and the election campaign is, however, giving rise to fear and uncertainties that have not have not yet been given a satisfactory answer. The situation of the financial system following the flight of capital needs to be buttressed, and this will entail a potentially significant cost in monetary terms. Besides, the provinces' requirements in facing their own imbalances in an environment highly politicized constitute a source of additional spending that has to be assessed with reservation. What is more, the increasing cost of public indebtedness also weighs heavily on the level of spending. Meanwhile, tax collection seems to be dwindling, and would decline even more if a crisis were to hit the country. All this casts some doubt about the possibility of meeting fiscal targets.

Notwithstanding this, there are on the national economic scene some countervailing factors, which should contribute to improving the economic outlook and rebuilding confidence. The first one is the excellent result of this year's harvest, which will bring in unprecedented profits. Agricultural exports and the sustained growth in industrial exports will considerably reduce the trade deficit—to a greater extent if imports are affected by recessionary pressures—which will in turn reduce the need for external financing. Moreover, as one can see, real investments and projects for direct foreign investment have not so far been affected by the current situation. Hence, the investment rate would continue its upward trend, which includes the visible upturn in construction activity.

It is absolutely necessary to increase these positive factors and boost market confidence through urgent and decided action, which should not be postponed until the elections, to cut back on government spending in many sectors, as very little has so far been done to that effect. The proposed social security bill, which has already been voted through in the Chamber of Deputies, constitutes an attempt to check an unforeseeable increase in expenditures. And yet there is still much superfluous spending at various levels within the state. Minister Domingo Cavallo seems to have very clear ideas about this—despite some inappropriate remarks—but he generally encounters political obstacles.

Whatever is done to assure a fiscal and monetary balance must be displayed before the eyes of the financial community and markets; and there is nobody better qualified to do this than the IMF, an organization that deals with these issues and whose verdict is accepted by those who make the decisions that mobilize capital. If the IMF gives its approval and grants loans to Argentina, foreign banks will not refuse their support. It is common knowledge that the IMF is a respected umpire, because it conditions its assistance to strict compliance with stipulated targets.

Bolivia

Government, Coca Farmers Discuss 4-Point Chapare Policy

PY2802142095 La Paz PRESENCIA in Spanish 11 Feb 95 p 7

[FBIS Translated Excerpt] Bolivian Minister of Government Carlos Sanchez and the leaders of the coca farmers yesterday met for the second time in Villa Tunari, and released the so-called "four-point" policy for the development of the Chapare region.

1. It is necessary to strike an alliance that, even though it may give rise to some opposition, is a genuine tool for dealing with the drug trade.
2. The antinarcotics struggle should not be politicized.
3. Government and coca farmers agree that human rights must be respected.
4. The parties unanimously agreed that the development of the Chapare region is a realistic option for eradicating drugs and ensuring respect for human rights.

Minister Sanchez traveled to Villa Tunari on 10 February and met with coca farmers in the search for new agreements. The meeting, which should have lasted through 11 February, was adjourned until 16 February. On that date coca farmers will hold a national meeting to discuss these four points.

Evo Morales, the leader of the coca farmers, explained that at these meetings the fulfillment of government promises to coca producers is analyzed, and new commitments, based on how much progress has been made, are discussed.

Morales made it clear that no definitive commitment to eradicate coca plantations has been reached with the executive branch, and recalled that upon hearing Sanchez' proposal to eradicate at the rate of one to two catos [Bolivian measure equivalent to 1115 square meters], the farmers burst out laughing.

Morales voiced his displeasure about reports that an initial agreement to eradicate coca planting has been reached. He said: "I cannot believe that the minister has started lying. No agreement was reached at any point to eradicate the cultivation of coca."

As far as Evo Morales is concerned, the administration cannot keep harping about the eradication of coca plantations, given the fact that the Harvard University has found coca to be the best food in the world.

Minister Sanchez stated that coca farmers are at a crossroads, and the important thing is to establish whether they are for or against the drug trade.

On the need to establish a government-coca farmers alliance, Sanchez said that first positions should be reconciled, but the important thing at this point is for the farmers to make their position toward the drug trade clear.

The minister reopened dialogue with the coca farmers on 2 and 3 February by visiting Chapare, after announcing that he would do so without any "bodyguards" or security

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measures customary whenever a government official is visiting conflict-ridden areas.

During that initial meeting he proposed "broad and open" dialogue to reach agreements on what has to be done in the Chapare. On this issue, coca farmers and the administration agreed upon the four points that will be discussed and analyzed by the parties involved.

It was reported on 10 February that the two parties view the "four-point policy" as a step forward in the dialogue that is taking place in the Chapare region.

On the subject of the Harvard University study of the coca leaf and its high nutritional properties, Minister Sanchez urged the university to clarify the scope of its report that coca is the best food in the world, because the farmers are regarding it as the gospel truth. [passage omitted]

Coca Control Agency: Chapare Plantations Not Reduced

PY2802175395 Cochabamba LOS TIEMPOS in Spanish 21 Jan 95 p A7

[FBIS Translated Text] La Paz, 20 Jan—National Social Defense Secretariat reports have revealed that coca plantations in the tropical region of Cochabamba have grown by 600 hectares in 1994, a 1.9 percent increase over the 32,900 hectares of coca plantations in the Chapare region.

This information came from the National Coca Control Directorate (Dinaco) annual report on the implementation of 1994 plans of operation.

According to this report, "based on the amount of coca leaves seized in 1994 and in January 1995, the conclusion is that rather than reducing coca plantations, their growth was only slowed down."

The Special Antinarcotics Force (FELCN) reported that 220,000 pounds of coca leaves were seized between 6 August and 31 December.

Dinaco also reported that "in December 1994 and January 1995, patrols that check coca production and sales seized 104,000 pounds of coca leaves in the Chapare" from many local farmers.

According to Dinaco reports, in addition to drums of coca leaves, its patrols seized 106 kg of cocaine base and a "sizable" amount of foreign and Bolivian currency totaling some $10,000.

"In January 1995 alone, 37 kg of cocaine in addition to some money were confiscated," Dinaco's annual report states.

It emphasized that the results and the reliable up-to-date information on coca farmlands in the Chapare that are now available are an example of the "responsible and serious" approach to coca reduction and to the monitoring of the legal production of the leaf.

Commander Facilitates Drug Gang Investigations

PY2802130295 La Paz PRESENCIA in Spanish 1 Feb 95 p 7

[FBIS Translated Text] The Armed Forces commander, General Reynaldo Caceres Quiroga, yesterday paved the way for the Special Antinarcotics Force to investigate to its ultimate consequences the alleged links between certain officers and noncommissioned officers and the now dismantled gang of Navy Captain Oswaldo Justiniano, aka "Sacate."

"All members of the Armed Forces summoned by the FELCN will be switched to "E" category, meaning that they will be placed on availability status to expedite the investigation. Those found guilty will be dishonorably discharged, and those found not guilty will be reinstated as appropriate," Gen. Caceres said.

The top military commander made his position clear toward the investigation that the FELCN is conducting following the discovery of a drug cartel in the Armed Forces. So far the investigation has led to the arrest of 10 people, both career military officers and civilian personnel.

Seeking to protect the honor and prestige of the military, Gen. Caceres ordered both high and medium-level commanding officers to cooperate with drug enforcement officers in their investigation.

On 30 January Gen. Caceres placed in the "E" category 11 members of the Armed Forces, presumably linked with "Sacate" Justiniano's gang, and confirmed that the investigation will continue throughout the three branches of the Armed Forces until every sign of this illegal activity among officers and noncommissioned personnel is expunged.

Gen. Caceres said: "My instructions are clear; all personnel placed in category "E" will remain in that status for as long as the investigations continue."

The Armed Forces commander is thus in full agreement with the FELCN commander, General Simon Sejas Tordoya, who warned that as far as the investigations into drug trafficking are concerned, no person or institution will be untouchable, not even the Armed Forces.

'Secret' Document Reveals Navy Involvement With Drugs

PY2802154895 La Paz PRESENCIA in Spanish 12 Feb 95 p 6

[FBIS Translated Text] (ANF)—Drug traffickers and the military: a history with an old background. A military document dated February 1992, which helped the FELCN [Special Antinarcotics Force] investigate and bust the international "Sacate Justiniano" ring, revealed that over the past 25 years some 50 members of the Bolivian Naval Force (FNB) have protected or become involved in trafficking in controlled substances.

The "secret report," which is unofficial and reached the FELCN three years after being drawn up, has some important elements that have today become credible for the antinarcotics detectives working on the "narco-marines" case.

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Among other things, the report mentions dates, places, posts, names, surnames, circumstances, and the specific activities of some 50 Navy chiefs, officers, sergeants, ensigns, and noncommissioned officers with direct or indirect links with several drug trafficking rings.

The report mentions the alleged protection that port commanders and commanders of various naval districts of Beni, Cochabamba, and Santa Cruz extended to drug trafficking rings through the use of tankers and military vehicles.

Navy Men, Drugs, and Drug Traffickers

FELCN spokesmen explained that the report was provided by a Military Intelligence Department to facilitate the investigation into the trafficking of 479 kg of cocaine in two Chua Naval battalion vehicles. FELCN Prosecutor Leopoldo Ramos Errada reported that in connection with this case, which was discovered on 18 January, 12 FNB officers and ex-officers have been detained.

The document states that by the mid 1970's drug trafficking activities shifted from Santa Cruz to Beni Department, "where more than 65 percent of Naval Units (UUNN) are headquartered."

This trafficking, which begins in Puerto Villarroel in the Chapare, "has begun to cause trouble for several Navy officers assigned to the Special Operations Center (COE) and to the officers controlling the Ichilo-Mamore highway."

Humberto Gil Suarez

The document identifies Humberto Gil Suarez (who was arrested in Argentina on cocaine trafficking charges) as a former Navy officer. Gil Suarez reportedly made "his first earnings" in 1977 as a CORDEPANDO [Pando Development Corporation] official. He then engaged in drug trafficking with two light planes he owned.

"For his illegal activity," the report goes on, "Gil recruited just about any officer or sergeant who was relieved from the Navy," among them two lieutenants, two ensigns, a noncommissioned officer, and a sergeant.

The report identifies a corvette captain who was a presidential aide-de-camp and former COE commander in Puerto Villarroel, and who in the 1970's offered protection to drug traffickers in the region. He is charged with having used a UNIMOG military vehicle for transporting a drug trafficker "whom he shot in the head in the jungle for having threatened to report him."

At that time the Navy began administrative inquests into 12 officers "who were found to be involved with drug trafficking in Puerto Villarroel." The previously mentioned corvette captain resigned his post right at the time the investigations began.

In response to our questions, some FELCN officers gave assurances that investigations continue in order to check the truthfulness of the information contained in the "military intelligence document."

Prosecutor Leopoldo Ramos declined to either deny or confirm that drug trafficking began to infiltrate some FNB levels in the mid-1970's. "We will clarify this point, along with others, in the conclusions of the report, which is in its last stages," he said.

Brazil

Diplomats in U.S. Focus on Business Intelligence

PY2802142995 Rio de Janeiro O GLOBO in Portuguese 27 Feb 95 p 2

[From the "Political Outlook" column]

[FBIS Translated Text] Ambassador Paulo Tarso Flexa de Lima has transformed the Brazilian consulates in the United States into a strong network of information for defending not only Brazilian policies toward the United States, but Brazilian business interests as well. Beside routinely granting visas for foreigners and helping Brazilian nationals abroad, the Brazilian consulates now carry out a typical intelligence task.

As if they were real spies, the diplomats at each consulate investigate the behavior, the kinds of pressure, and the answers that must be given to their communities by congressmen, government officials, and businessmen involved in deals of Brazilian interest. The local activities of these figures are followed up by Brazilian diplomats, especially through the local newspapers and regional television, with one purpose: to obtain information about the private lives of the powerful in their cities, and to clearly understand and anticipate their political movements at a national level.

Two months ago, a controversial congressman who participates actively in a U.S. congressional committee that is of direct interest to Brazil received a small decoration from his constituency. Although this was not covered by any large U.S. newspaper, the congressman was surprised by a telegram from Paulo Tarso Flexa de Lima sending him congratulations. The congressman ended up phoning the ambassador, and he has now become more friendly toward Brazil.

Without committing excesses or explicit industrial espionage—like the recent episode involving the United States and France in a diplomatic incident—Brazilian diplomacy is becoming increasingly more refined in keeping with the new international trend: greater attention to matters of trade and to those of interest to the Brazilian private sector.

Army Buys 57 Eryx Anti-Tank Missiles From France

PY2802123995 Sao Paulo FOLHA DE SAO PAULO in Portuguese 24 Feb 95 Section 1 p 5

[From the FOLHA DE SAO PAULO Brasilia bureau and the "ANSA news agency"]

[FBIS Translated Text] The Army has purchased 57 short-range anti-tank Eryx missiles, manufactured by the French company Aerospaciale, for use in the infantry.

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The Army has also purchased a firing simulator and a maintenance kit for these missiles.

Cecomsex (Army Social Communication Center) has reported that the total price of this equipment, which should be delivered by 3 October, is 2.29 million reals.

The "ANSA news agency" reports that the specialized magazine "JANE'S DEFENSE WEEKLY" of London has published an article asserting that the Brazilian Army is interested in purchasing nine training helicopters.

The main companies that are competing to sell these helicopters to Brazil, according to "JANE'S DEFENSE WEEKLY," are said to be Eurocopter (with its Ecureuil), Bell (with its TH-67 Creek), and Enstrom (with its F-28).

Still according to the London magazine, the Brazilian Army intends to buy a large helicopter.

The aircraft most closely considered for this transaction are the S-70 Black Hawk, the Cougar, and the Mi-17. Cecomsex denied, however, to FOLHA the Army's interest in this deal.

Last year, according to the "ANSA" report based on the British magazine, the Brazilian Government allegedly authorized the purchase of 112 SA-18 missiles and 56 launchers from Russia.

The Army has also allegedly purchased Mistral missiles from the French company Matra. This kind of weapon can be transported by soldiers.

"JANE'S DEFENSE WEEKLY" also reported that the British company Royal Ordnance will supply to the Brazilian Army light 105 millimeter cannons and 81 millimeter mortars.

Labor, Management Disagree on 'Social Clause' in WTO

PY2702201795 Sao Paulo GAZETA MERCANTIL in Portuguese 23 Feb 95 p 8

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] The government and entrepreneurs are generally against the inclusion of a "social clause" in the WTO—which replaced the GATT—because it would be a protectionist move that would cause conflict and impasse between developed and developing countries within an institution that was recently created with much difficulty, after 10 years of negotiations.

The labor centrals—CUT [Sole Workers Center], CGT [Central Federation of Workers], and the Union Force—uphold, however, the discussion of the subject at the WTO and the International Labor Organization (ILO). The government and the employers' organizations want only the ILO to deal with it.

These positions were made clear on 22 February, during the first seminar sponsored by the Foreign and Labor Ministries—with the participation of unionists, academics, diplomats, and entrepreneurs—to define the Brazilian position at international organizations.

Under pressure from the United States and France, which will preside over the EU commission until the end of the first half of the year, the "social clause" may be among the new topics that developed countries want discussed within the WTO.

European Deputy Sainjon has given the clearest and most precise definition of "social clause," which the European Parliament approved in February 1994. His resolution advocates the introduction of social restrictions within the EU General System of Preferences—which are already in force—and the expansion of a GATT article to legitimize retaliatory measures against imports from countries with labor patterns that are considered unfair. The resolution also refers to social "dumping," without precisely defining the expression. Itamaraty believes the resolution refers to "salary differences that contribute to final product prices."

CGT International Relations Director Valdir Vicente de Barros has said the CGT does not understand the reason for "the Brazilian Government's obstinacy in excluding labor matters from commercial matters, even though capital and labor are inevitably linked." The CGT representative said: "The 'social clause' does not deal with salary problems. It deals with slave labor, child labor, and union freedom. We want restrictions on exports of countries that do not respect those areas." He said Malaysia and Indonesia are in this category, unlike Brazil, "where there is little slave labor. The government is not concerned about this, and I don't know why."

The textile sector believes a social clause may even benefit Brazil. Domingos Mosca, one of the most experienced textile sector negotiators at multilateral forums, said it is necessary to know the formulation of the "social clause." He added, however, that "we may become the victims of protectionism, but we can also use the clause and defend our market, closing it to countries that do not fulfill labor laws."

Despite signing several ILO treaties, Brazil has not yet ratified five of them, which are considered essential for the French and U.S. proposal to link GATT/WTO regulations to a set of labor conventions. Brazil has not ratified conventions on union freedom (87), the right to organize and of collective bargaining (98), child labor (138), non-discrimination at the work site (111), and hard labor (29 and 105). At French and U.S. initiative, as submitted to the ILO Administration Council in November 1994, countries that disrespect those five conventions should be suspended from the concessions provided for by GATT/WTO.

The shoe manufacturing sector is radically opposed to the inclusion of a "social clause" within the WTO.

CGT leader Barros said the sector is against the measure "because they use child labor." Itamaraty has another explanation for the "social dumping" [two preceding words in English] charges: "They reflect specific pressure from union and entrepreneurial sectors in developed countries. This is why they refer to exports of manufactured goods like shoes, glass, and textiles. Ironically, the worst working conditions in developing countries are found in farm and

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mining sectors. But in those cases, countries like France and the United States rarely exert pressure, either because their industrial groups want to preserve their sources of cheap raw materials, or because their domestic union movement—which tends to be protectionist—is less outspoken about non-industrial sectors."

Cigarette Manufacturer, Cuban Joint-Venture Viewed

PY2702151595 Sao Paulo AGENCIA ESTADO in Portuguese 2122 GMT 24 Feb 95

[FBIS Translated Text] Rio de Janeiro, 24 Feb (AE)—The Souza Cruz company has signed a letter of intent in Havana with the Cuban state-owned company Union de Empresas de Tabaco (Uneta) to create a joint-venture to transfer technology to improve the quality of Cuban cigarettes. The Brazilian company will invest $3 million to modernize Cuban industrial facilities, grant technical assistance, take new machinery to Cuba, and improve the quality of Cuban cigarettes.

Uneta and the Cuban Agriculture Ministry are studying the definitive terms of the agreement to be signed later this year. The construction of a new industrial plant has not been planned. Souza Cruz representatives reported that beside improving the quality of Cuban cigarettes, the modifications will also help place Cuba among cigarette-exporting countries, and help meet Cuban domestic demand.

Modifications will not just involve the quality of cigarettes, but will also involve improvements to cigarettes boxes. Souza Cruz press advisers said the Brazilian company has great know-how because it exports a large number of cigarettes. Depending on the final agreement negotiated with Uneta, Souza Cruz may even send employees to Cuba. The percentage of participation by Souza Cruz in the joint-venture will be established in the final agreement.

Ministers Justify Telecommunications Amendment Proposal

PY2402235795 Sao Paulo GAZETA MERCANTIL in Portuguese 17 Feb 95 p 8

[FBIS Translated Text]

Amendment Proposal for the Federal Constitution

This amendment modifies Paragraph XI of Article 21 of the Federal Constitution.

Article 1: The expression "the enterprises whose stocks are under state control," appearing in Paragraph XI of Article 21 of the Constitution, is hereby eliminated. Paragraph XI will read:

"Article 21 ...

"XI—exploit, directly or through a concession, the telephone, telegraph, data transmission, and other public telecommunications services, guaranteeing the rendering of information services by private institutions through the public telecommunications network being exploited by the Union."

Article 2: This amendment will come into force on the date of its publication.

[dated] Brasilia, 14 February 1995.

Your Excellency the President of the Republic:

Pursuant to the guidelines that Your Excellency has issued for the purpose of proposing to Congress the improvement of the Constitution, we are hereby submitting this amendment to the federal Constitution as a part of the set of modifications that are necessary for making it feasible for our country to resume its socioeconomic development.

2. [as published] Telecommunications and socioeconomic development are inseparable concepts. Brazil will be unable to promote one of them if it ignores the other. There will be no full democracy if the state does not guarantee to its citizens the right to communicate, beginning with the simple telephone, which allows people to ask for medical help or for other services no matter where they are. Likewise, the country will be unable to do without a modern and efficient telecommunications system, which should operate through satellites, fiber optics cables, photonic technology [fotonica] and information highways, which are essential for the new technological model of the world economy.

3. After a decade of major telecommunications progress financed by the state, in the 1980's the country strongly reduced public funds for the sector. Today, there is considerable unmet demand, both for conventional common telephone services and for new technology. Despite being the first Latin American country to have launched its own satellite, to have created a research center at the level of the CPqD [expansion unknown], and to have developed sophisticated technology like fiber optics, Brazil today has to live with telephone line jams and low-density telephone lines—of lower density than those in Argentina, Chile, Venezuela, and Uruguay. Furthermore, the implementation of new and essential technology, like fiber optics, is being delayed. In the area of conventional telephone lines alone, the unmet demand is for 8 million lines.

4. With an exhausted financial capacity, especially in light of the new technology and the growing demand for services generated by that technology, the state cannot meet investment needs by itself. Within this context, it is necessary to create opportunities for partnership with the private sector, something that can be done only after elimination of the constitutional requirement to put under state control the exploration of telephone, telegraph, data transmission, and other telecommunications services. It should be noted that even though the amendment proposal under discussion permits the participation of private capital in telecommunications activities in the country, it maintains the Union's franchising regime that guarantees state control over the sector.

5. Far from being an end in itself, the proposed increase in flexibility is part of an institutional redesigning project for

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the telecommunications sector, in which the state will be allowed to reduce its cost for expanding and for operating services, while resuming—with more power and with a more impartial approach—its role of granting franchises and its regulatory and supervisory power.

6. Within this new design, Telebras [Brazilian Telecommunications, Inc.] will resume its functions as a "holding" [preceding word in English] of the state system, coordinating operators and Embratel [Brazilian Telecommunications Company], an enterprise that will maintain its strategic market under state control. Going against corporativism, the objective of the suggested model is to meet society's demands, create well-being, and cooperate with the government's social justice program. The proposed amendment follows the course of developed countries like Italy, England, Canada, the United States, and other developing countries like China, Chile, and Argentina.

7. Consequently, the path that naturally leads to socioeconomic development necessarily passes through the amendment of the Constitution, giving more flexibility to the restriction that is today imposed on the Union—for the exclusive exploitation of public telecommunications services by companies with stocks under state control—without stripping the state of its strict regulatory, supervisory, and control power.

8. We believe, Mr. President, that the proposed amendment will meet the need to encourage investment in the telecommunications sector, which is essential for building a more modern and competitive economy.

[signed] Respectfully,

Nelson Jobim, minister of state for justice

Pedro Malan, minister of state for finance

Jose Serra, minister of state for planning and budget

Reinhold Stephanes, minister of state for social security

Luis Carlos Bresser Pereira, minister of state for federal administration and state reform

Sergio Roberto Vieira da Motta, minister of state for communications

Communications Minister on 'Easing' Monopoly

PY2702132295 Sao Paulo ISTOE in Portuguese
22 Feb 95 pp 5-7

[Interview with Communications Minister Sergio Motta by journalists Luciano Suassuna and Eumano Silva, at the minister's office on 13 February]

[FBIS Translated Excerpt] [passage omitted] [ISTOE] What changes will be made?

[Motta] We have a proposal to modernize the entire country. If one considers the law on franchising and the easing of the telecommunications monopoly, one will realize that we are at the threshold of a merciless progress boom, a new stage of development that will generate jobs. However, we may not even catch a glimpse of what awaits us unless we are able to approve the constitutional reform and adequately implement the franchising law.

[ISTOE] Regarding communications?

[Motta] The government will retain its power to regulate and supervise franchises—even though it does not currently exercise this power. The government will supervise agreements to franchise contracts, which will have extremely severe clauses that seek to preserve its interests.

[ISTOE] What sort of distortion has this lack of supervision caused?

[Motta] This government believes the various means of communication are patrimony of the people and must be administered for the benefit of the people. Currently, there are no rules for the use of the various means of communications or ways to preserve the educational level of television programs. Concessions are now granted indiscriminately and the government has decided to end that.

[ISTOE] How much will these constitutional amendments attract in new investments?

[Motta] We are planning large investments in telecommunications and at the ECT [Postal and Telegraph Company]. This plan will establish policies for the use of satellites and supervise the fiber-optics networks. Some $30 billion will be invested in the area during this administration's four years in office.

[ISTOE] Do you plan to reallocate concessions that have already been granted to enterprises that handle several concessions?

[Motta] That would be too difficult. We view the renewal of concessions as a formal procedure to see if the objectives of the concession are being met. We are also studying a way to charge for renewals. For example: In the northeast region, some companies have been selling cable television concessions for 4 or 5 million reals. The serious point is that these concessions were granted free to a group or a new enterprise which later sells the concessions. This is a waste of public assets. All future concessions, and their renewal, will be based on economic criteria.

[ISTOE] How will the bids be conducted?

[Motta] Companies will be pre-classified according to their technical and commercial virtues. We want to eliminate middlemen. Following the pre-classification, we will go for bids. These will be evaluated and may be modified depending on the market.

[ISTOE] Your proposal forbids the owner of a television channel from owning other means of communication in the same region—as it occurs in the United States?

[Motta] There will be ways to avoid concentrating several means of communications in the hands of a single person. For example, if a company already owns one cable television station in a county, it will not be given precedence in

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the assignment a radio station. This will ensure plurality. As to owning different means of communications, we are still studying this possibility.

[ISTOE] Have you been confronting a lobby of those who do not want change?

[Motta] The proposal is well accepted by all the large radio and television networks because it is a way to professionalize relations. The real professionals who are willing to work seriously will benefit from this. There are no more middlemen, no more personal or political requirements. This is good for the large groups that are professionally successful. The large groups that organize themselves in a professional manner will have a chance.

[ISTOE] Will there be any move to regionalize or nationalize the programs?

[Motta] With technological development, one will soon be able to receive from a satellite directly in all Brazilian homes with a small 60-cm antenna. This is what we call open television. All countries have laws for that, but we have none.

[ISTOE] What will we have?

[Motta] We need a percentage of local journalism, local educational and cultural production, and a stimulus to produce local artistic programs. We need an ethical contract. These refer to criteria about the timing of programs. This is not a system of censorship, it is an ethical parameter for broadcasting sex and violence.

[ISTOE] You said new concessions seek to eliminate middlemen. Who are they?

[Motta] I do not know them. We believe the previous procedures were part of the political process the country experienced. It was no one's fault, it was a historical or sociological structure, a correlation of political forces. [passage omitted]

[ISTOE] Do you plan to reduce the duration of television and radio concessions, which are currently 15 years?

[Motta] This issue can be debated with the laws and codes. I have no defined position. I believe 15 years is a lifetime.

[ISTOE] How much will the decision to make monopolies more flexible generate in investments?

[Motta] Planned investments between 1995 and 1998 will total 30 billion reals. Of this, the private sector will contribute at least 15 billion reals. We must make monopolies more flexible. We have an area of suppressed demand: conventional telephones with badly met needs, rural telephones, and cellular telephones. All these areas will be immediately opened to private capital. Even some fiber-optics networks will be opened, but in this area there will be more government control. [passage omitted]

[ISTOE] What are the strategic roles of Embratel [Brazilian Telecommunications Company] and Telebras [Brazilian Telecommunications, Inc.]?

[Motta] Embratel is one of the largest enterprises of its type in the world. Telebras has been doing some things, but we want to remove their executive role because it belongs to the regional teles [state government telecommunications companies]. Telebras will be a managing company. Embratel will be the overall operator of large communication systems at the level of satellites and fiber optics, as well as international and intercontinental calls and calls via satellite. It can even participate in international biddings. [passage omitted]

Views Telecommunications Policy, Goals

PY2502021695 Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Feb 95 Section 1 p 7

[Article by Fernando Paulino Netto]

[FBIS Translated Text] Communications Minister Sergio Motta yesterday said sarcastically that as far as telecommunications policy is concerned, "what is good for the United States is good for Brazil."

The expression "what is good for the United States is good for Brazil" was coined in 1964 by then Brazilian Ambassador to the United States Juracy Magalhaes.

Motta explained that in the United States, "people are outwardly liberal, but are strongly protective of what belongs to society. Telecommunications and other public services belong to society."

The minister believes that the state cannot lose "the power to grant franchises and to supervise" telecommunications, noting that this power is not being satisfactorily exercised now.

The minister believes that Brazil cannot make the "mistake" of "privatizing the monopoly." Motta advocated the opening up of the market through franchises instead of privatizing enterprises.

"Communications resources constitute an asset owned by society, and must be used as such. The rest is meaningless," he said.

He mentioned as an example the data transmission lines, which are the telecommunications "highways."

Motta believes that those highways must be democratically used. Everyone should be able to use them, provided they pay the appropriate fee.

"At the top of the process," Motta would like to see the telecommunications sector operating with Telebras [Brazilian Telecommunications, Inc.] as a holding with the power to grant concessions, Embratel [Brazilian Telecommunications Company] implementing technological strategies, and the state telephone companies being merged or sold.

Motta said the great challenge of the telecommunications sector is to enter "a new era," and that to this end, 30 billion reals in investment is needed over the next four years.

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The minister said that in this "new era"—where telecommunications can no longer "be used for political purposes, something for which no specific person can be blamed"—state enterprises need budgetary independence and new bidding regulations in order to be able to compete with private enterprises.

"If private enterprises are put into competition with public enterprises, the latter will break in one year. It would be cowardly behavior," Motta said.

For this reason, he believes that some modifications must be introduced in the operation of state-run companies, which should have their own budgets, without any ties on the Union's budget, and less bureaucratic bidding methods. Motta proposed an "ethical pact" for the bidding process in the sector.

Discusses State Telephone Companies

PY2702181795 Sao Paulo GAZETA MERCANTIL in Portuguese 23 Feb 95 p 5

[By Eliane Cantanhede in Brasilia]

[FBIS Translated Text] Communications Minister Sergio Motta admitted for the first time on 22 February that the process to open up the economy may lead to the privatization of the teles [state government telecommunications companies]. He pointed out, however, that Congress will first have to approve the constitutional reforms, and then conditions of competitiveness will have to be ensured for the teles to contend in the market with the private companies that may begin to participate in the area.

"The teles that cannot operate on their own may have to be sold. I even believe the tendency is to privatize everything," Motta said. He thus explained to the journalists who were attending his news conference what he had meant in the speech he had delivered a few minutes before during the ceremony in which he had installed former Aeronautics Minister Lelio Lobo as the new Telebras [Brazilian Telecommunications, Inc.] president. On the occasion, Lelio Lobo praised the "highly qualified cadres of the enterprise."

All the while, however, Motta insisted on pointing out that the federal government's monopoly will be maintained. In the speech delivered during the ceremony in which he installed Dilio Penedo as the new Embratel [Brazilian Telecommunications Company] president, as well as in the news conference granted in the morning, Motta said: "The idea is to strengthen the role of Telebras in standardization, control, and supervision."

The minister established a difference between the teles that are capable of competing in the market, such as Telesp (Sao Paulo Telecommunications), and the "teles that are worse than nothing." He also reported that the government is studying measures to arm the state-owned companies for the war they will have to fight with private initiative because "otherwise it would be unfair to the point of cowardice."

The key word for the protection of teles that will compete for the market is "deregulation," which means eliminating their ties to the Union Budget—because they have their own revenue—and exempting them from the obligation of putting out bids for services and work whenever they begin the bidding process for some new project.

Currently, each state has its own tele. Telesp is the one deemed strongest and in the best administrative and financial condition. Rio de Janeiro Telecommunications (Telerj) is the most controversial one, and is also deemed to be in a delicate situation. As part of the opening process, Motta plans to establish a first stage, that of regionalization. This alone would be enough to drastically reduce the number of teles in the country.

"The most important thing is to have a strong Telebras, acting as a holding of the system," Motta explained, after having installed Lelio Lobo and the remaining members of the Telebras board. They were: Joost Van Damme as vice president; Sergio Luiz Goncalves Pereira as economic and financial director as well as director for market relations; Mario Bernardino Marsiaj as director for coordination of operations and services; Jorge Jardim Filho as administrative director; Antonio Jose Ribeiro dos Santos as planning and engineering director; and Helio Marcos Graciosa as research and development director.

In 1994, Telebras had income of nearly $9 billion, invested $2.9 billion, and by November of the same year had net profits of $1.1 billion. Telebras has 97,000 employees, 7 for every 1,000 terminals. The company budget has earmarked $3.2 billion for research to be conducted in 1995. In addition, Sergio Motta hopes to obtain $3.5 billion as a result of partnership and franchising to be established with the private area.

Motta's most daring project is the national fiber optics network, which began with the Rio de Janeiro-Sao Paulo-Campinas line and will split into two others: the Rio Grande do Sul-Ceara line and the Rio de Janeiro-Amazonas line. Motta defined this project as "a revolution for the area."

Embratel, Telebras, ECT To Remain Public Companies

PY2802014695 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Feb 95 p B1

[Article by Eleno Mendonca]

[FBIS Translated Text] The number of Telebras [Brazilian Telecommunications, Inc.] subsidiaries will be reduced from 27 to a maximum of six. This was announced by Communications Minister Sergio Motta who added that the move is inevitable. He wants to deregulate the whole telecommunications system and allow the participation of private capital. During a second stage, private and public companies will compete freely. "It will be like a contest between Mike Tyson and Maguila [Brazilian boxing champion], everyone will have to be competitive," he said. During a third stage some companies will merge and others will close.

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Minister Motta said that once his ministry is reorganized, "at the most" Telebras will remain as a franchise-granting and system-control holding of Embratel [Brazilian Telecommunications Company]—which will be totally controlled by the government since it is considered strategic from the point of view of information—and of the Postal and Telegraph Company (ECT) which will operate in partnership with private initiative. Motta said: "Anyone who thinks their patrimony will be sold in 10-minute auctions is mistaken. We want to establish an scenario of competition."

He said the system must be attractive for investors, especially for foreigners. Motta is preparing a document called PAST—a program to recover all telecommunications fields—in which he intends to invest $32 billion over the next four years. "Of this total we only have half. This year, for example, we have assured $4.3 billion plus $1.6 billion which the economic team is reluctant to release given its foreseen budget deficit." The rest will be sought through partnerships and opening of the market to private companies. Motta also plans to modify telecommunications rates: "Interurban calls are prohibitive while local calls are too cheap. This must be changed."

The Communications Ministry envisages allowing partnerships and selling public companies shares. A group has been specially created to verify the legal aspect of partnerships. Motta said: "At the start we will maintain control, but I repeat that in the end only Telebras, Embratel, and part of the ECT will remain public."

Chile

Consultant Assesses Bilateral Trade Ties With Russia

PY2402171695 Santiago EL MERCURIO in Spanish 26 Jan 95 p A2

[Report by Economic Commission for Latin America consultant Jorge Vera Castillo: "Trade and Investments with Russia"]

[FBIS Translated Text] A seminar on "Trade and Investments between Latin America and Russia" was held in Santiago. Representatives of 14 countries of the region, intellectuals, Russian businessmen, representatives of the Russian Embassy and commercial representatives in Santiago, Chilean businessmen and government officials participated in this seminar organized by ECLA, the United Nations, and the Russian Science Academy Institute for Latin American Affairs.

There was significant consensus on the two subjects that were debated, based on specialized reports by Latin American and Russian consultants. The mentioned realistic consensus referred to: The current state of Russian-Latin American trade and economic relations; diagnosis and lack of knowledge regarding the reality of the new Russia; the good disposition and political will of the governments of the region to promote the mentioned relations; the need for inter-government framework and juridical-contractual grounds for these relations; the urgent need to qualitatively improve and revitalize the implementation, opening, and service of Latin American embassies in Moscow; and the need for Russia to improve its "country image," to offer political stability, clear and stable economic and trade rules, to advertise what it has for export, to regulate and provide incentives for foreign investments: Russia is a huge market with 150 million consumers, with huge resources and a vast territory, it is a permanent member of the UN Security Council and continues to be a power, despite its current problems; Latin American and Russian economies, their various fields, their privatization and retooling processes, are complementary.

Chilean-Russian economic-trade relations can be summarized as follows:

Chilean-Russian trade in 1993 amounted to $81.5 million, of which $22.5 million represented Chilean exports to Russia and $59 million Chilean imports from Russia, representing a deficit for Chile. An assessment by product shows Chilean exports have experienced great diversification. Trade encompasses 107 items. Exports account for 16 items which amounted to more than $50,000. It was determined for the first time that numerous new medium-size Chilean enterprises ventured for the first time into the Russian market. Imports from Russia continued concentrated in vehicles—Lada and Kamaz—ad hoc spare parts, and machinery.

In 1994, the figures registered until November reveal that trade amounted to more than $89 million, $51.5 million worth of Chileans exports and some $38 million for Chilean imports. Chilean exports include 75 items. More than $10,000 worth of each of 28 of these 75 items were exported. More than $100,000 worth of each of 10 of these 28 items and more than $350,000 each of seven of these items were exported. The trade balance leaned in Chile's favor, increasing and diversifying Chilean exports. Trade in 1994 totaled some $100 million.

Chile's main exports to Russia are: copper and copper concentrate; non-alcoholic mixtures for beverages; blends, extracts, essences, and concentrated coffee; bonbons, sweets, confetti, and drop candies; boots, black tea, processed mackerel, dog rose plants, ingredients for soups, stews, and stock; recorded cassettes; and fruits and fruit juices.

Reciprocal trade is growing, as is Chilean interest in becoming acquainted with the respective Russian markets. Some 18 Chilean enterprises (foodstuffs, preserves and fisheries) have confirmed their participation in the International Foodstuff Fair—Prodexpo '95—in Moscow between 13 and 19 February. These enterprises have the support of the Chilean International Economic Relations Directorate General.

As for direct foreign investments (IED) and new forms of investments (NFI) by Chile in Russia, there are several examples with varied results. Ignorance, a poor initial negotiation or a poor project, deceitful advise, hasty dealings without any medium or long-term plans, lack of

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incentives, financial difficulties, lack of a planned action are among the factors that have jeopardized investment attempts.

There are cases of IED's in the specialized paint industry and in the chemical and foodstuff fields; NFI's in the banking, computer and informatics field, and consultations and advise in the services fields. Joint enterprises with Russian partnership is the main path used by businessmen investing in Moscow and in Russian regions.

Any business started by Chileans in Russia must assume risks, link trade with investment; and assess society, characteristics, culture, and emerging economy. Russia is a huge Eurasian market, it should be reached through the Pacific; should contemplate a maritime line through Valparaiso, Easter Island, and Vladivostok (and the free economic zones Nakhodka and Sakhalin), with the possibility of reaching nearby third markets; should use the Trade and Economic Cooperation Convention; should request a Reciprocal Agreement for the Promotion and Protection of Investments, a Maritime Transportation Agreement; should eliminate the reciprocal requirement for visas, and should seek specialized counseling.

The inter-governmental framework is the basis for this bilateral relationship. Chile is a member of APEC [Asia-Pacific Economic Cooperation], and Chile and Russia are both members of the Pacific Economic Cooperation Council. The recently established Pacific Chilean Foundation [Fundacion Chilena del Pacifico] should include Russia and our bilateral relationship in its assessments and projects.

The trip to Moscow by the Chilean foreign under secretary in February will help update the diagnosis of the Chilean-Russian relations, will allow the adequate handling of these relations and their further development, will strengthen and revitalize our diplomatic representation, and will stimulate and encourage our businessmen and investors.

Colombia

Foreign Minister on U.S. Certification, Drug Fight

PA0103040995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 1 Mar 95

[FBIS Translated Excerpt] Quote, Colombia is a narcodemocracy in which the power of cocaine traffickers has penetrated almost all government levels, end of quote. That statement is included in a report prepared by U.S. Senator Jesse Helms' aides. [passage omitted]

Here is Foreign Minister Rodrigo Pardo's reaction this evening.

[Begin recording] [Pardo] Yes, a document has been prepared by Senator Helms' aides but he has not even received the document. There are other opinions in the U.S. Congress. They are favorable toward Colombia. I talked with various senators and representatives a few weeks ago and their views differ from the ones stated in this document.

[Unidentified reporter] But it seems that the atmosphere [pauses] we will get the certification but, unfortunately, it will be due to U.S. national security reasons. The atmosphere is not very good for Colombia.

[Pardo] Yes, we still have no official information on the government's decision. It has been announced for tomorrow when, according to the law, the president must make the announcement. However, it is a fact that the political atmosphere is charged; it is a fact that relations between the U.S. executive branch and the legislative branch are very delicate right now. There is what you could call a ping pong game and Colombia finds itself in the middle of this game.

[Reporter] Foreign Minister, do you not think Colombia should assume a more dignified attitude toward the United States' hard and unexplainable position?

[Pardo] Yes, we are proud of the policy we have adopted against drug trafficking. It is the most effective of any country. There are problems in the struggle against drug trafficking at the international level but we are convinced that cooperation is important in the struggle against drug trafficking so we must work to perfect the instruments and mechanisms involved. Instead of settling for a policy of mutual accusations, we must work together on a problem that, being international, must be treated at an international level. [end recording]

Defense Minister on U.S. Certification

PA0103024595 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 1 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] On the eve before the U.S. Government presenting Colombia with its certification, Colombian Defense Minister Fernando Botero strived to show that Colombia is working to capture the Cali Cartel leaders.

[Begin Botero recording] We are making a very strong effort and hope that this will yield good results with time. It took the Colombian Government then in office 17 months to arrest Pablo Escobar. Thus, it is a long process but we are sure we are going to have positive results in the end. [end recording]

Regarding the constant criticism made by U.S. national security organizations and Senator Jesse Helms, the minister recalled that Colombia is working to obtain positive results.

[Begin Botero recording] Colombia has sacrificed a lot, and we have struggled a great deal to solve a problem that belongs to the entire world, the drug trafficking problem. We are doing our share, and we wish all countries would cooperate and do their share to jointly defeat the drug trafficking problem. [end recording]

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The minister said the Colombian Government, with the support of the United States, will continue to fight drug trafficking.

Minister: Noncertification Would Not Affect Economy

PA0103024695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 1 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Finance Minister Guillermo Perry is also thinking about the good conduct grade the gringos will give us.

[Begin Perry recording] The bilateral aid, which is the only thing that would be suspended if we are not certified—although I think that is very improbable—is very small. It is approximately $15 million. If the United States voted against Colombian loans at the World Bank and the Inter-American Development Bank, it would not affect our loans. However, it is likely that we will receive certification or, in the worst case, a certification for national interest, which would not have any short-term economic effect. [end recording]

Samper Interviewed on Drug Policy, Cuba

BR2802134895 Madrid EL PAIS in Spanish 26 Feb 94 p 4

[Interview with President Ernesto Samper in Cartagena de Indias by Joaquin Estefania; date not given: "Ernesto Samper: 'We Colombians Have Used Violence as a Way of Life'"—first paragraph is EL PAIS introduction]

[FBIS Translated Text] Six months after being elected president of Colombia, Ernesto Semper has lost none of his charisma. Aged 43, constitutionally he cannot be re-elected and so he has drafted a definitive four-year program aimed essentially at eliminating violence as a way of life in Colombian society. He is aware of the fact that Colombia has a real drugs trafficking problem and other similar problems besides. He is obsessed, as are all Colombian politicians, with the "certificate of good conduct" that the United States is to grant to Colombia in a few days time for its fight against drugs trafficking (which is a fundamental aim to receive international aid) and he would consider it an injustice and short-sighted not to receive it. He is pleased to accept the analogy with Spain comparing himself with Felipe Gonzalez and the beaten conservative candidate with Jose Maria Aznar. He is in favor of a social democratic development model for Latin America.

[Estefania] You have been in power for barely half a year. How has Colombia changed in these six months?

[Samper] More than anything else it is the style of government that has changed. Without questioning the past I launched a culture of consensus. Colombia's most serious problem at the current time is violence: At the moment everything that is done is based on conflict as part of everyday life.

[Estefania] "We have to try to solve these conflicts without killing each other." You said that during the electoral campaign. Is Colombia the most violent country in the world?

[Samper] I do not know if it is the most violent, but I must stress that for many years we Colombians have used violence as a way of life. Our greatest challenge and the first point on my legislative program, is how we can form a new kind of citizen, someone who participates more in politics, shows greater solidarity in social issues, is more productive economically, and less predatory.

[Estefania] In this consensus you do not mention two areas that are heavily involved in the conflict, guerrilla warfare and drugs trafficking.

[Samper] In addition to the objective factors of inequality and poverty, there are three groups of people in Colombia that generate armed violence: guerrillas, drugs traffickers, and paramilitaries. Colombian guerrilla warfare is the oldest in Latin America, which makes it even harder to find any kind of consensus. My plan is based on a peace policy that will not make the same mistakes that have been made to date. For example, it should not set out to make the demobilization and disarming of the guerrillas a precondition for negotiations because that is just a pipe dream. We will make an effort to negotiate in a time of war, with Congress approving the Geneva Convention. Where drugs trafficking is concerned, I take a very firm stance: We have to hunt down the cartels and destroy the crops. Where the paramilitary groups are concerned—and they are the armed wing of the Right—we are looking into ways of deactivating them by applying the law with certain specific benefits. If we do not combine law and benefits then we will not achieve peace.

[Estefania] Do you mean that you will not negotiate with the drugs traffickers? I have read in the press that there is fresh controversy surrounding the extradition of drugs traffickers for trial outside of Colombia.

[Samper] With respect to negotiations let me say that it is up to the public prosecutor's office to lay down the terms of any possible truces with the drugs traffickers. As far as extradition is concerned, it is prohibited by the Constitution. It would be very hard to try to change this mandate since public opinion is opposed to extradition. What we have to do is ensure that the drugs traffickers receive a fair trial in Colombia.

[Estefania] So there is no truth in what they say about the drugs traffickers preferring "a tomb in Colombia to a prison cell in the United States?"

[Samper] That sentence was uttered in quite a different context, talking about the Medellin Cartel when a whole wave of drugs trafficking was developing. Things are different now that we are facing something altogether more

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powerful, more complex and damaging than drugs trafficking, namely drugs corruption. It is not the state pursuing a delinquent here and there, but the state trying to dismantle a powerful machine of corruption that has created a kind of safe shell around many drugs traffickers. The anti-drugs measures taken by my government in the last six months prove that I consider drugs trafficking to be a problem for the safety of the nation and that is why we are treating it with such seriousness. We want to dismantle the cartels, imprison the ringleaders, but also to ask the international community to face up to its own responsibilities in reducing the consumption of drugs and in banning chemical elements, and fighting money laundering.

[Estefania] Relations between Colombia and the United States, due to affairs such as drugs trafficking, are not the best they have ever been. How were relations affected by the victory of the Republican extreme right in Congress?

[Samper] In theory it should have had no bearing since Colombia has historically always maintained good relations both with the Republicans and with the Democrats. What could have affected our relations is the internal dispute in Washington between Clinton and the Republicans, both vying to show who really governs the United States.

[Estefania] We will soon see whether or not the United States decides to grant Colombia the certificate for the battle against drugs trafficking which has great bearing on, for example, export credits.

[Samper] That will be when we really find out whether or not there has been a hardening in the U.S. attitudes with regard to Colombia. The United States reserves the right to judge countries by their efforts in the fight against drugs trafficking or in favor of human rights. This is practically a certificate awarded to the country as a whole, not to those that run the country.

[Estefania] The Colombian press—some of those that describe this as a "certificate of good conduct" and criticize it by saying that only viceroys did this—explain how the hardest North American stance is that of Jesse Helms, chairman of the Senate Foreign Relations Committee.

[Samper] I am still in no position to judge whether or not this senator harbors anti-Colombian feelings.

[Estefania] It is also claimed that this certificate relates to Colombian policy with regard to Cuba. What is the current state of Colombian relations with Cuba?

[Samper] We believe that Cuba should accelerate its transition toward democracy, but we also think that the blockade is not the right way to usher in these changes. The blockade simply imposes shortages on the people.

[Estefania] The other subject mentioned in relation to the American certificate is that of human rights.

[Samper] The problem of human rights is one of realities, not images or declarations. We have made some very brave decisions such as the opening of human rights offices in every Army barracks which investigate claims of human rights violations by the military against the civil population.

[Estefania] Your program was based on a strong increase in social spending.

[Samper] From this height we have been able to completely change the direction of the government's budget. In this year's budget social spending has already been increased (in the areas of health care, housing, education, social affairs, and community development). The development plan is currently being discussed in Congress, and I think it will meet with the virtual unanimity of all political forces.

[Estefania] The other aspect of your economic policy is the social pact.

[Samper] There is a social pact for one year—and I hope it will be renewed for a further year after that—which has been signed by the government, the trade unions, and the employers, which makes it possible to reduce inflation and for the first time to consider forecast inflation rather than past inflation as an element in negotiations.

[Estefania] You have described yourself as a social democrat. You said that you wanted to "open up a new space from liberalism to the democratic Left."

[Samper] That is a very European question. In Latin America an alternative development model is now opening up. Neoliberalism has failed and another model is taking shape that does not look back to the protectionism of the 1960's. The only way to legalize the changes and for democracy to become stronger is by correcting the inequalities and protecting the marginalized elements of society. This is a social democratic development model.

[Estefania] Finally, what attitude has Colombia taken with regard to the war between Ecuador and Peru, called by the author Vargas Llosa "the absurd war?"

[Samper] It is absurd, like all wars. In Latin America the problem of land, more than anywhere else, is one of identity. We Latin Americans see ourselves in every centimeter of land. Many people might think that fighting over a small plot of land in the Amazon is pointless but it is an ancestral feeling. Colombia made a few attempts at mediation until we realized that both Ecuador and Peru are both right in their own ways.

New Program To Fight Corruption Outlined

95CA0138A Santa Fe de Bogota EL TIEMPO in Spanish 3 Feb 95 p 6A

[FBIS Translated Text]

New Tools for Battle Against Corruption

Even before the Statute Against Administrative Corruption goes into effect, the administration is going to implement some of its major principles.

It will begin by making room for citizen participation in monitoring how public officials do their job.

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For example, it is going to set up an independent agency called the Consejo Nacional Transparente [National Council for Transparency], whose job it will be to make sure that government officials and agents of the State do not become rich at the expense of the public treasury.

The strategy will be summarized in the "Transparency Plan, So We Can Believe Again" [Plan Transparencia, para volver a creer], which is to be presented next Monday (6 February) by President Samper and his advisor on civil service, Jorge Valencia Jaramillo.

The Plan will also promote citizen monitoring of governors' and mayors' performance by requiring them to publish their agendas.

The following is an outline of the plan's main points:

Monitoring by the People

The Independent Council to Fight Corruption, or the National Council for Transparency, will be made up of representatives from both the public and private sectors, though the majority will be from the latter.

A network of regional councils will be set up for the same purpose.

Special emphasis will be placed on the right of petition, a right enshrined in the Constitution and further developed in the Administrative Law Code, which grants citizens access to documents, records, and contracts produced in the public sector.

The publication of government agendas as registered by governors and capital city mayors will enable citizens to closely monitor their implementation and, if they deem it necessary, to request the recall of those who do not keep their promises.

Agreements

"The private sector will be encouraged to sign agreements that will encourage the reporting of corruption and under which it will pledge not to give money or other types of gifts in exchange for financial or any other kind of favors," reads a document prepared by the Office of President of the Republic.

It explains that these agreements, to be called "transparency agreements," are designed to achieve widespread mobilization and action in fighting this scourge.

The creation of a special fund is being pushed; it will consist of voluntary contributions from the private sector, citizens, and international aid agencies.

One of the purposes of this fund is to finance university undergraduate and graduate work on practical aspects and forms of corruption and to underwrite forums and conferences.

The private sector, universities, professional and other associations, and nongovernmental organizations will all be obliged to become involved in preventing and fighting corruption.

Media Campaign

The Presidential Advisory Office for Civil Service announced that intensive educational campaigns would be conducted to promote ethical and moral values, community spirit, and respect for the rights of others.

An institutional television program called "El Minuto Transparente" [The Transparent Minute] will air beginning in March as a complement to the aforementioned campaigns.

It also announced that an effective system would be designed so that citizens can report cases of corruption in strict confidence and hence be protected from possible reprisals.

To this end, a private, independent firm will set up and operate telephone lines and airmail boxes.

Each report will be evaluated by a team of experts from the Prosecutor General's Office, the Administrative Department of Security, the Police, and the Advisory Office.

Rewards

The document goes on to say that serious, thorough investigative journalism into corruption among individuals or institutions will be encouraged, sponsored, and rewarded with a prize to be called the "Transparency Award."

The competition will be announced in March, and the first prize will be awarded in November 1995.

There will also be annual awards for national, departmental, and municipal entities that exhibit transparency in fighting corruption. They will receive the "Award for Institutional Transparency."

The administration will enter into international agreements with nongovernmental anti-corruption organizations to share information, methods, and systems and to coordinate strategies.

Valencia said that President Samper, in keeping with the code of ethics of his election campaign, would publish his campaign platform so that the country can verify that it is indeed being carried out.

He stated that "our administration is convinced that if the government, at every level, is answerable for its campaign platform, is up-front about decision-making, and fights tirelessly against corruption, it will restore the people's faith in institutions and in their government leaders, and they will once again believe in the State."

The presentation of the plan will be attended by the president of Transparency International, the world's foremost anti-corruption organization.

Its role as regards transparency is comparable to that of organizations such as Amnesty International in the area of human rights.

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Comptroller Introduces Anti-Corruption Plan

95CA0138B Santa Fe de Bogota EL ESPECTADOR in Spanish 3 Feb 95 pp 5-A

[FBIS Translated Text]

New Anti-Corruption Plan Launched

Both the Office of the Comptroller and the administrationannounced the launching of a new offensive against corruption in the various spheres of government, in an effort to create a climate of transparency in the functions of public servants.

At the Gonzalo Jimenez de Quesada Convention Center yesterday, Comptroller David Turbay, Vice President Humberto de la Calle, Minister Delegate Horacio Serpa Uribe, and Attorney General Orlando Vasquez Velasquez presided over the presentation of the details of a plan titled "For a Generation Against Corruption," which aims at establishing offices in major cities for receiving, processing, and evaluating complaints and reports filed by citizens.

Dr. Turbay revealed that in the less than two weeks since the Comptroller's Office opened up the "transparency hotline" it has received 116 complaints; he also promised that the 10 government entities with the most corruption problems would be "taken over" and purged by the Colmoral Foundation. The comptroller proposed that the system of penalties and incentives currently applied to corrupt officials be updated and that a tough code of ethics for all government workers be promptly established. As part of this campaign, he stated, the Foundation for Public Morals (Colmoral) will be created with contributions and donations from the private sector.

At this same function, Vice President Humberto de la Calle Lombana announced that joint work is under way with the Ministry of Government and the Advisory Office for Institutional Development on a bill to regulate the participation of professional, civic, and community associations in monitoring government institutions. He said that the only way to restore legitimacy to government is to bring it in closer touch with real people and to make public officials subject to the scrutiny of the citizenry.

The Official Plan

For its part, the Administration also announced that on Monday it would present a strategy designed to restore Colombians' faith in State institutions and create a climate of transparency in the functions of public servants.

The strategy is called the Transparency Plan "so we can believe again," and it was developed by the adviser for civil service, Jorge Valencia Jaramillo, who has been working on it since this administration's term began. The document will be presented to President Ernesto Samper, to the media, and to entire country during the ceremony scheduled for 12 noon on Monday at Narino Palace.

'Skepticism' Voiced Over Anti-Corruption Plan

95CA0140A Santa Fe de Bogota EL TIEMPO in Spanish 8 Feb 95 p 4A

[Editorial: "Transparency"]

[FBIS Translated Text] The President of the Republic has introduced the "Transparency Plan-for believing again." It has been conceived as an anti-corruption plan to permit the application of different ethical principles in the actions of public servants, so that the citizens' belief in the Colombian state may be recovered.

The design of the plan is based on the acknowledgment that there is a lack of government responsibility and administrative clarity, as well as an absence of a decisive battle against corruption. These are considered fundamental causes of the people's loss of confidence in the State. Consequently, the plan's implementation is aimed at attacking them at their source.

Only good comments could be made about a government's expression of a will to rid itself of this cancer that has been undermining our country. The design of the plan (which also seeks to actively involve the citizens in its execution) has been careful, with an appropriate offering of some beneficial mechanisms that are part of the implementation strategy.

So far, all is well. Nevertheless, those who designed the plan and are responsible for its application must realize that all these nice little announcements are being received with a natural skepticism. After all, we Colombians have seen so very many similar plans fail, for lack of political will and commitment on the part of the national government.

In fact, only if the national government gives clear, conclusive examples of its commitment to the battle against corruption will it be possible to break that barrier of incredulity, regardless of all the best printed brochures and all the most intelligent speeches.

This involves the appointment of irreproachable officials on all levels of the State, with the adoption of rapid measures for public reprimand when gross conduct such as that committed by certain dignitaries becomes known. It should be accompanied by bureaucratic penalties for groups of legislators whose moral solvency has been questioned. If these decisions are not adopted, this well-intended Transparency Plan will die on the shelf.

Furthermore, we are struck by the proliferation of anti-corruption proposals on the State's various levels and in its agencies. It is not that this is bad, no; provided that they are harmonious, consistent, and coordinated, respecting the jurisdictions and legal authority of each and every one of the different entities.

Thus, the anti-corruption battle must be one that demonstrates a real interest on the State's part, showing results that are concrete, stimulating, and encouraging to the citizenry.

Responding to an invitation tendered by the Ministry of Justice Office, and thanks to the enthusiastic support from Confecamaras [Confederation of Chambers of Commerce], the president of Transparency International (TI), Mr. Peter Eigen, is currently visiting our country.

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TI is a non-profit, non-governmental organization operating in many of the world's latitudes, which is fighting corruption both in international commercial transactions and (through its national chapters) on the local levels.

Based on the same dynamics that generated the president's introduction of the Transparency Plan, TI has expressed its determination to establish its Colombian chapter.

EL TIEMPO voices its support for the means of participation called for in the president's plan, as well as its will to join in the process of establishing the TI chapter in Colombia. This is a cause that commits all of us, also demanding quick action and effective results.

As President Samper puts it, we certainly need to believe again.

ANIF, Fedesarrollo Study Economic Performance

95CA0133B Santa Fe de Bogota EL TIEMPO in Spanish 9 Feb 95 p 1B, 5B

[First paragraph is EL TIEMPO introduction]

[FBIS Translated Text] This year devaluation may be 13 or 14 percent. Interest rates could take off again. The government will have to control spending more, as there are signs that the economy is heating up.

The 18 percent inflation goal proposed in the social pact does not appear as easy to achieve as the government believes.

The first private sector study of what is happening in the Colombian economy, conducted by ANIF [National Association of Financial Institutions] and Fedesarrollo [Foundation for Higher Education and Development], yesterday estimated that at most, inflation could decline to 19.5 percent.

The analysis of Fedesarrollo and ANIF acknowledges, though, that it will be easier to achieve the peso devaluation goal.

The two organizations believe that while it is feasible to achieve a 13 or 14 percent devaluation rate in 1995, as the government predicts, strengthening the dollar could translate into a higher cost of living.

Another factor that they see as working against achieving the inflation goal is this year's higher business payroll taxes.

According to the social security law, pension contributions will increase from eight to 12.5 percent and health insurance costs will rise from eight to 12 percent, starting in April. These plans were not simply readjusted; pension contributions will now fall more heavily on employers.

This fact alone could increase business costs and so affect the prices of many goods and services, and therefore, the inflation rate.

In addition, there is fear of what may happen to the cost of living after March, when the fuel price increase takes effect. The first price hike could be 13 percent.

"I have enormous fears about what is going to happen when the gasoline price increase is combined with the increased payroll taxes and the additional credit card withholdings," said ANIF's president, Javier Fernandez Riva, speaking at the Financial and Exchange Prospects Forum.

Higher Devaluation

Why should there be a higher devaluation rate this year, when expectations are very pessimistic?

The stronger dollar may be explained in large part by the crisis in Mexico that will cause reduced amounts of foreign currencies to enter the Latin American countries, including Colombia.

But there are also factors working against the intent of accelerating devaluation: higher interest rates; the government's intention to bring back resources that are frozen abroad, like over $1 billion in cellular telephones; and a decision by the board of directors of the Bank of the Republic to sell $500 million in reserves.

Despite these factors, both ANIF and Fedesarrollo are confident that during 1995 devaluation will be strengthened, which may become a source of tranquility for all exporters.

It does not appear clear that interest rates will decline as much as the government would like. On the contrary, uncertainty is increasing about a new rise, both in interest rates paid to savers and the rates charged to borrowers.

The reasons are related to increased demand for loans, caused in part by the good performance of the economy. the public sector's increased use of the financial sector, and the policy of municipal governments to use the financial sector to cover their needs, especially after the Constitutional Court ruling.

It is even expected that if inflation increases more than predicted and reaches 21 percent, a rise in interest rates would be inevitable.

Slowing Down Spending

During the seminar the spending plan to which the government is committed as a consequence of the Development Plan, called the Social Leap Forward, was questioned.

Fedesarrollo's director, Eduardo Lora, noted that one of the biggest dangers is precisely that spending aspirations are excessive, especially in infrastructure and investment.

If the government does increase spending in these areas by over 50 percent a year, complications could arise in dealing with inflation, he said.

The Bank of the Republic's Technical Manager, Alberto Carrasquilla, acknowledged that there are symptoms that the economy is heating up again because of excessive public and private spending. He said that greater austerity and monetary controls are needed.

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The Mexican Case

Mexico's crisis, which could last for several years, might have negative consequences on Colombian trade.

ANIF suggested this, noting that Colombian exports might lose competitiveness in relation to Mexican sales.

One such case will be flower exports to the United States, so this sector must be prepared to wage a tough battle for this market.

In addition, because of the Mexican devaluation there is an increased risk of a wave of devaluations spreading to other Latin American countries.

ANIF's analyses conclude that because of the crisis many Mexican businesses and banks will fail, producing negative repercussions on capital markets.

Foreign investors will now be more cautious about transferring their capital to Latin America.

This fact, disturbing for other nations, could in the long run benefit Colombia because it should reduce revaluation pressures.

Ecuador

Defense Minister Pledges Commitment to National Honor

PA2802170995 Paris AFP in Spanish 1410 GMT 28 Feb 95

[FBIS Translated Text] Quito, 28 Feb (AFP)—Ecuadoran Defense Minister General (retired) Jose Gallardo, told AFP today that "our country cannot be invaded" and that "we have a duty to protect the territory, fractured [cercenado] as it is, that remains in the hands of the fatherland."

Ecuador and Peru have been fighting for more than a month over an unmarked strip of border in the Amazon jungle, despite a truce proclaimed by Lima on 14 February and confirmed three days later by the Itamaraty Peace Declaration, which both countries signed in Brasilia. The document was sponsored by Argentina, Brazil, Chile, and the United States.

"The Ecuadoran people have complete confidence that the Armed Forces will not be reduced to dishonor and that they will be heroic. The Armed Forces in turn expect that the Ecuadoran people will not lose their courage for the struggle and not be disheartened by the serious blows dealt in any flare-ups," Gallardo said. "We are sure that our country cannot be invaded. It may be hurt. It will have days of prosperity and days of adversity, but in the long run our country will inscribe a glorious page in history," he stressed.

He said that there are still many chances for establishing peace between the two fighting countries and for averting mutual bloodshed. "This is the will of the Armed Forces. It works to this end with an absolute determination to defend the country," he added.

The Ecuadoran defense minister said that speaking "without any attitude of triumph, I can truthfully say that the Armed Forces have taken preventive measures, have been organized, have been quick to react, have been agile, and have exhibited a lot of determination (in the confrontation). We are fully satisfied with this, speaking without any attitude of triumph." "Our country is capable of many things if we remain united, if we work with energy and sacrifice. There is no way to improve the lives of individuals or the life of society except by working conscientiously and working hard," he said.

Gallardo said that the Ecuadoran Armed Forces need proper support from the country to fulfill their duty. He stressed that "today we are faced with this problem (the conflict with Peru). I invite all Ecuadoreans to contribute generously from wherever they may be." "Generosity is earned by the productive work that provides enough resources to allow the country to face this event with dignity," he said.

He said that military flare-ups, because they are painful, also make demands that radically change the customs, life, and ideals of the people. He said that there are people who have lived under terrible threats for decades and "surprise, surprise—those people are the most advanced in social and economic development."

"We love peace. Ecuadoreans are a peace-loving people, and we are proud of being peaceful people. But we have a duty to protect the territory, fractured as it is, that remains in the hands of the fatherland, and to protect honor, to protect Ecuadoreans' faith in themselves, their self-esteem," he concluded.

In an official bulletin released last night, the Armed Forces Joint Command reported continued clashes with Peruvian patrols and that Ecuadoran combat casualties now total 27 soldiers killed and 77 wounded.

Joint Command Bulletin Reports Sporadic Skirmishes

PA0103045995 Quito Voz de los Andes in Spanish 0300 GMT 1 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Quito—The Ecuadoran Armed Forces Joint Command reported today sporadic skirmishes with Peruvian troops along the undemarcated strip of the Amazon border. The armies of the two countries have been fighting there since 26 January. There have been sporadic clashes between patrols in the past 24 hours, and they are taking place despite the formal cease-fire that has been in effect for 11 days. Ecuador and Peru signed the cease-fire agreement in Brasilia with the endorsement of the governments of Argentina, Brazil, Chile, and the United States, according to the bulletin.

The bulletin also acknowledged that Ecuador has sustained 27 dead and 80 wounded in combat since the start of hostilities. It added that the acting observers from the four guarantor countries of the cease-fire agreement went today

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from the town of Patuca in Ecuador, Morona-Santiago Province, to the Coangos Military Detachment in the Amazon region. The purpose of this trip is to begin the monitoring, assessment, and planning process of the peace process, the bulletin added. From Patuca, the observers contacted their colleagues who arrived in the town of Bagua in Peru and expect to move to the PV1 [Watch Post 1] Detachment, also known as Soldado Pastor Detachment, in order to draft a joint work plant, the bulletin noted. The Joint Command has put at the service of the observers all the means available so they can fulfill their mission, the news bulletin stated.

Cease-Fire Viewed as 'Not Hopeful'

95P20559A (Internet) Foreign Ministry Gopher in Spanish 23 Feb 95

[Commentary from Quito EL COMERCIO 22 Feb 95 p A-4: "Reality"]

[FBIS Translated Text] In the last few day several opinions worthy of merit have been given on the document signed in Brasilia last Thursday, 16 February. Some say the document is a diplomatic triumph for Ecuador because it made the Peruvian Army withdraw; Others charge that it was imposed upon Ecuador because the Peruvians withdrew only after they were militarily repulsed.

We Ecuadoreans observe the patriotism of President Duran-Ballen and are in solidarity in the defense of our national territory. We are strengthened in this by the excellent performance of our Armed Forces and the sacrifice of the soldiers who died on the battlefield.

A serious problem in international law is that decisions shoud be arrived at by consensus among the interested parties in a conflict. If there is no consensus there is no temporary or definite solution. Pressure is sometimes applied by one of the parties involved, by other countries, or by international organizations. This pressure can range from engaging in war—as the United States and the United Nations did in the Iraq-Kuwait conflict—to economic measures, to the reiteration of support or the modification of surroundings [modificar entornos]. In the real case of the latest armed confrontations due to Peruvian aggression against Ecuador, the international organizations, the United Nations, and the OAS have acted with obvious weakness with the excuse that they were guarantors of the 1942 Rio de Janeiro Protocol.

The four countries who met in Brazil adopted an attitude of "supposed" impartiality when pronouncing their decision on the area of the armed conflict. They did not take sides and that is why Peru was anxious to militarily dislodge the Ecuadoreans, and failed. Ecuador had only two alternatives following the cease-fire declared by Peru based on its false claim that the Ecuadoran camps had fallen: to continue on a war footing, with general mobilization, or to demilitarize the area. The government chose the second alternative. If the United States had the dominant role in Brasilia—as it has in the OAS and in the United Nations—it was clear the expectations of the two international organizations were not hopeful.

Future events will permit an evaluation of the results. Ecuador should keep in mind that it has taken a step whose final consequences will depend on the success of its diplomatic negotiations and the unity of the Ecuadoran people. It is not the best agreement that could have been arrived at, but neither is military confrontation the best thing. The Peruvians will attempt to infiltrate—as they have done on other occasions. To prevent that, the Ecuadoran Government and people must remain vigilant.

President Cautions Against 'Betrayal of People'

95P20559B (Internet) Foreign Ministry Gopher in Spanish 23 Feb 95

[Commentary by Pedro Jorge Vera from Quito LA HORA 22 Feb 95 p 6: "Facing Peace"]

[FBIS Translated Excerpt] Unfortunately, the peace is precarious, a peace threatened by the zeal to invent a new Tihuinza to show to the observers. But hopefully these observers will be more efficient than their compatriots who negotiated in Brazil. Those negotiators demonstrated—to put it mildly—an exasperating slowness and a shameful timidity by not establishing from the beginning that the conflict did not consist of hostilities between two parties but was an action of an aggressor against a victim. It is not even necessary to mention which is which. The Fujimori claim that Ecuador attacked Peru is so fantastic it borders on the grotesque. One only has to note the difference between population, numbers of soldiers, and armaments for it to be obvious that such an attack is impossible. Not counting distances, it is as if it were claimed that Cuba is the aggressor and the United States the victim.

In any case if the guns haven't been silenced, they soon will be. Simultaneously commentators, politicians, and businessmen have started giving their opinions. I have heard, from commentators, the truth expressed with astonishing depth and perspicacity. I'd rather not talk about the politicians. [passage omitted] The only politician we like to hear from, for the moment, is the one who, during the aggression, incredibly transformed his image and even got cured of his back problem: President Duran-Ballen.

He is the one who has the floor at the moment. However, to back up his recently enhanced leadership, the president needs to skillfully manage the difficult negotiations with Fujimori, and at the same time, pay his debt to the poor of this land—the poor, who have so fervently stood by him, not only by laying down their lives and preserving the integrity of the fatherland, but also by shouldering the entire economic burden. (Because for a rich man to contribute a million is insignificant). The president must not heed the Carondelet palace clique but must realize that continuing to modernize through privatization and methods that cause starvation would be a betrayal of the people.

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Paraguay

Wasmosy Calls Possible U.S. Blacklist Decision 'Unfair'

PY0103114995 Asuncion ABC COLOR in Spanish 28 Feb 95 p 13

[FBIS Translated Excerpt] On 27 February, President Juan Carlos Wasmosy said that the attempt to try to include Paraguay among those countries that do very little to combat drug trafficking "was unfair." Commenting on U.S. President Bill Clinton's possible intention of recommending that the U.S. Congress include Paraguay on the list of nations that will not receive economic aid for drug enforcement endeavors, Wasmosy said that "as there is no real will to attack drug consumption in those places where it is really prevalent, scapegoats are sometimes found instead."

Wasmosy indicated that his trip to the Chaco region on 25 February to inspect abandoned landing-strips—which are allegedly being used by drug traffickers—was just a coincidence and had nothing to do with the information received from the United States to the effect that Paraguay would be included on "the black list" because of "poor action" on the part of the government with regard to combating drug cartels.

Wasmosy said: "It is a mere coincidence that my trip coincides with the information received from the United States. As regards that issue, I would like to say that so far there is no list on which Paraguay is mentioned as a country that cooperates or does not cooperate with drug trafficking. I can guarantee you that we are doing our utmost to combat this scourge." The Paraguayan president reported that this year, Paraguay received only $1,200 from the United States for this purpose.

He added: "The aid we received from the United States this year only amounts to $1,200. Last year, I think we received $35,000. Hence, I think it is most unfair that Paraguay should be labeled as a country that does not want to cooperate in drug enforcement endeavors, since we are doing everything possible and requesting aid from the United States and other industrial countries so that they can cooperate with us in the fight against this scourge that will lead mankind who knows where."

The head of state further stated: "We have visited some Swiss cities, where drugs are freely distributed to youngsters. I do not know why, then, authorities do not look for those who supplied, transported, and produced these drugs so as to have the necessary information at their disposal. What is happening then, I think, is that there is no real intention to attack drug consumption; hence, underdeveloped countries, which, thank God, have nothing to do with these damned drugs, are sometimes made the fall guys." [passage omitted]

Wasmosy said that he does not believe that the U.S. Government considers Paraguay a country that does not fight against drug trafficking, adding that this is why it is not appropriate to lodge a diplomatic complaint against Washington.

During a news conference called yesterday at Government House, Wasmosy pointed out that "the U.S. Government is most reliable, and we do not believe in the least (that the United States will reduce its foreign aid to our country for drug enforcement)."

The head of state believed that his administration has given more than enough proof of its will to combat drug trafficking. He nonetheless pointed out that he does not have the necessary means to do so because the Paraguayan Congress put curbs on the budget of the National Antidrug Secretariat (Senad) and the National Directorate of Civil Aeronautics (Dinac), agencies which come under the jurisdiction of the presidency.

Wasmosy, who was accompanied by Foreign Minister Luis Maria Ramirez Boettner, added: "We want to join Mercosur [Common Market of the South] [as published]. We want better health care, better education, and yet we implement budget cuts. You are very well aware that no miracles can be worked when one does not have the necessary resources."

"We had requested of the United States radar equipment, helicopters, and economical means of transport, which could even be operated by U.S. Marines [preceding word in English] to give them all the necessary guarantees that we do want to fight this scourge. Nevertheless, we were told that Congress did not appropriate the necessary funds for this," he regretted.

Wasmosy indicated that Paraguay is combating marijuana because it is cultivated here. This notwithstanding, he commented that neither the United States nor any European country cared about this.

Peru

Subversives Attack U.S. Embassy, Police Stations

PA0103043595 Paris AFP in Spanish 0356 GMT 1 Mar 95

[FBIS Translated Text] Lima, 28 Feb (AFP)—Police have reported that subversive commandos launched on Tuesday night a wave of dynamite attacks on the U.S. Embassy in Lima and at least two police stations in the northern zone of the Peruvian capital, leaving a toll of seven injured.

A group of subversives traveling in an automobile hurled a medium-intensity bomb in a park located in front of the U.S. Embassy, breaking windows in the diplomatic mission and a shopping center nearby, but causing no casualties.

Simultaneously, two police stations were attacked in the northern sector of Lima, and seven persons were injured at one of them. The persons were traveling aboard a bus that passed in front of the police station when the explosion occurred, according to initial reports.

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The attacks are the first registered this year in the Peruvian capital at a time when Peru faces a military conflict with Ecuador at the border region of the Condor Mountain Range.

A police source said there is no information about the perpetrators of the attacks but said that, given the method, it might involve the Maoist group Shining Path.

The organization used to carry out attacks every time Peruvian President Alberto Fujimori was abroad. The president traveled to Uruguay on Tuesday to attend the presidential inauguration in that country.

The dynamite attacks on the police stations occurred in the heavily populated districts of Carabayllo and Independencia, where the people were injured, including five women who were quickly admitted at a hospital nearby.

Police immediately adopted strict security measures in public offices and embassies, particularly around the Ecuadoran Embassy, given the conflict at the northern border.

Security measures were also doubled around Congress and the Government Palace, while police groups went out on patrol duty.

Foreign Minister Views Demarcation of Border

PY2802193895 Madrid EFE in Spanish 1645 GMT 28 Feb 95

[FBIS Translated Text] Lima, 28 Feb (EFE)—Peruvian Foreign Minister Efrain Goldenberg has said that the completion of the demarcation of the border between Peru and Ecuador, along the 78-km stretch that still has to be established, "is the essential objective of Peru, although it will undoubtedly take time."

In statements published today in the economy newspaper GESTION, Goldenberg said: "The goodwill of Peru and Ecuador is not enough, just as it is not enough for the guarantors of the Rio Protocol to reaffirm that they will cooperate."

The foreign minister said the suspension of hostilities "should be implemented as soon as possible because neither side wants more fatal casualties."

A cease-fire was signed by Peru and Ecuador and the Rio Protocol guarantors on 17 February in Brasilia, in the "Declaration of Peace of Itamaraty." It has not been fulfilled. Peru and Ecuador accuse each other of having violated it, because conflicts continue.

Goldenberg added: "The main long-term task is the demarcation of the pending stretch of border."

The 78-km stretch which has yet to be established is in the Condor mountain range, an area in which Ecuadorans and Peruvians have for decades engaged in confrontations.

Since the beginning of the conflict on 26 January 1995, Peru has seized three Ecuadoran strongholds on the side of the range it considers its territory, Cueva de los Tayos, Base Sur, and Tihuinza.

In 1942, Peru and Ecuador signed and ratified the Protocol of Rio de Janeiro, which set the border between the two countries. Argentina, Brazil, Chile, and the United States are the guarantors.

Goldenberg told GESTION: "Ecuadoran troops recently infiltrated the area of the conflict, but I have no details."

The minister traveled to Washington to thank the United States for its work as a guarantor in the quest for a solution.

While in the United States, Goldenberg met with Anthony Lake, an assistant to President Bill Clinton and the director of the National Security Council. The meeting was attended by Inter-American Affairs Specialist Richard Feinberg.

GESTION said the meeting between Goldenberg and Lake is "significant, because for the first time the border conflict is being considered at the White House's top political analysis level."

As for the meeting in Montevideo, Uruguay, at which the Peruvian and Ecuadoran foreign ministers will as of today meet with guarantor representatives to enforce the "Declaration of Itamaraty," Goldenberg said: "No agenda has been preestablished."

The Peruvian minister added that the Montevideo meeting "was arranged in Santiago on 23 February, along with the idea of partial and advanced implementation of the presence of observers" in the border conflict zone.

Goldenberg concluded: "Peru accepted a Chilean proposal to immediately send observers to the main conflict spots because this will help to stop hostilities. We trust this will be accomplished. The rest will depend on the guarantor countries observers."

On 27 February the minister traveled from Washington to Montevideo.

Armed Forces Command Chairman Inspects Base

PY0103012895 Lima Radio Programas del Peru Network in Spanish 0024 GMT 1 Mar 95

[Live telephone relay by Ismael Byron Horna from El Valor military airport in Bagua]

[FBIS Translated Text] General Nicolas de Bari Hermoza, Army commander and chairman of the Armed Forces Joint Command, said today that no one will win this war because the main losers are the Peruvian and Ecuadoran people. General Hermoza made this comment after visiting and inspecting the Ciro Alegria military base in the company of General Luis Perez Documet; Colonel Eduardo Canorio, chief of the Ciro Alegria military base; and Colonel Rodolfo Chiabras, chief of Watch Post One. The visit to the base was made to disclose the exact coordinates of Watch Post One, which are: 3 degrees, 32 minutes, 00 [zero zero] seconds of latitude, and 78 degrees, 17 minutes, and 45 seconds of longitude.

The number of weapons seized from the Ecuadoran forces in the armed clashes in the border region was also disclosed.

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The weapons include: FAL rifles, mortar launchers, [Pepa] launchers, machine guns, grenades, and deactivated land mines. General Hermoza left El Valor aiport for Lima at 1?30 this evening and should be arriving at approximately 2008.

Affirms Control of Zones

PY0103031395 Lima America Television Network in Spanish 0100 GMT 1 Mar 95

[FBIS Translated Text] General Nicolas de Bari Hermoza Rios, chairman of the Armed Forces Joint Command, who returned from the northern border a few minutes ago, said that even though the clashes continue at the border, our forces have control over the zones of Base Sur, Cueva de los Tayos, and Tihuinza.

General Hermoza made this comment during a reconnaissance visit to Watch Post One and other Peruvian positions in the border region. He also pointed out that while our forces fulfilled their objective in this conflict, the Ecuadoran forces cannot say the same thing.

[Begin recording] [Hermoza] There has been no activity on the part of the Ecuadoran Air Force or artillery in the last two days. This means there has been no large- or medium-scale military operations. There were reports in Lima about a large Ecuadoran military offensive. This is not true. The troops are here, the colonel who is running this part of the theater of operations is here. There has been no great military activity in this zone in the last two days.

[Unidentified reporter] Do the Peruvian positions remain in Peruvian hands?

[Hermoza] The Peruvian positions of Cueva de los Tayos, Base Sur, and all the hills around Tihuinza—Tihuinza is the flat land—are absolutely under Peruvian control.

[Reporter] Is there still any fighting, clashes between patrols?

[Hermoza] Yes, there is still fighting to eliminate or capture the infiltrated troops, which naturally are still found in this theater of operations due to the great facility with which Ecuadoran troops infiltrate the area. They are really in a disadvantageous situation, however, because they later remain isolated. [end recording]

General Hermoza also referred to the work of the observers of the gurantor countries.

[Begin Hermoza recording] You know the observers have been in Bagua since yesterday. I hope they will simultaneously be able to go to Watch Post One, Condor Mirador, and Coangos. I believe this is the formula and the recommendation of the Chilean president. I believe the observers and the guarantor countries have also adopted the same spirit, and that in the next few days we will be able to have the observers here in Watch Post One on the Peruvian side. We are open and ready for their arrival. [end recording]

General Hermoza was clear in pointing out the reasons why Ecuador did not fulfill its objectives in this conflict, while Peru did fulfill them.

[Begin Hermoza recording] Ecuador tried to secure the mediation of the pope, the OAS, and the United Nations to resolve its problem, its territorial claim, which is an objective it did not achieve. What else did Ecuador try? It tried to prove that the Rio de Janeiro Protocol cannot be implemented, and did not achieve this goal either. It also wanted to incite the Peruvian Armed Forces and the entire country to expand the conflict, that is, in answer to your question, toward escalation leading to war. Ecuador did not achieve that. What did Peru achieve? The opposite: It prevented Ecuador from achieving those military and political objectives. [end recording]

Daily Views Ecuador's 'Desperate Arms Race'

PY2402181095 Lima LA REPUBLICA in Spanish 13 Feb 95 pp 17-19

[Report by Jose Jara]

[FBIS Translated Text] Peruvian Armed Forces Joint Command intelligence sources have detected and proven that Ecuador acquired a large quantity of war materiel in various parts of the world to guarantee the continuity of its invasion of Peruvian territory.

In its desperate arms race, Ecuador intends to acquire war materiel not only from Israel, South Africa, and the United States, but also from international traffickers.

LA REPUBLICA had access to a Joint Command confidential report referring to the weapons the Ecuadoran military high command has acquired, hopes to receive, and intends to purchase.

The secret Peruvian document states that the largest shipment of weapons is a purchase from the PRC worth approximately $20 million made in July 1992 by Ecuadoran Defense Minister Jose Gallardo Roman.

According to the report, this shipment of weapons consists of:
—72 HN-5A missiles.
—30 SK-5A firing units.
—1 CH-3A testing and maintenance vehicle.
—1 training equipment set.
—18 37-mm type 80 twin anti-aircraft guns.
—34 23-mm type 85 twin anti-aircraft guns.
—3 702 radar fire control devices.
—4 laser course control devices.
—20,000 37-mm cartridges.
—20,000 23-mm cartridges.

The report adds that "there is information that they (the Ecuadoran Armed Forces) are negotiating the acquisition of Y-2 aircraft," also from the PRC.

These aircraft, commonly known as Yank aircraft, are also used by our Armed Forces; they were acquired three years ago by Alberto Fujimori's government.

It should be pointed out that, according to the report, the aforementioned weapons have still not been distributed and are stored at the Ecuadoran Air Force's Lacatunga

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Base, where five Chinese instructors are teaching the military officers how to handle the acquired materiel.

The desperate armaments frenzy and the attempt to consolidate its invasion of Peruvian territory continued on 24 December 1994, when retired Colonel Jose Gallardo confirmed the arrival of the last shipment of HK-33 rifles from the German firm Heckler and Koch, weapons to replace the Ecuadoran troops' FAL's, which are in poor condition due to use over many years.

Slightly more than one month later—on 27 January to be exact—a cargo aircraft from South Africa landed at the air base at Quito airport at dawn. A great quantity of weapons, such as rifles, machine guns, and portable rocket launchers, were unloaded from this aircraft. The intelligence agents were unable to confirm the brands and models of these weapons.

The day before—on 26 January—the Ecuadoran Army had allegedly made an urgent request to U.S. weapons suppliers for a quotation for 22,000 4.2 HE-M329 grenades, as well as 18 million 5.56-mm model SS109 projectiles, to be delivered in no more than 30 days' time.

The report also states that Jose Iturralde Jaramillo, general manager of Servivensa airline company in Ecuador, a brother of Ecuadoran Army General Miguel Iturralde Jaramillo, who died in November 1994 while he was Army commander, had purchased weapons for the Ecuadoran Armed Forces in South Africa. These weapons arrived at Guayaquil airport aboard a cargo aircraft on 27 January.

The shipment of weapons allegedly consisted of an undetermined number of rifles, machine guns, and anti-aircraft weapons.

In addition to weapons, military field equipment is also a priority issue for the Ecuadoran Armed Forces. Peruvian intelligence agents have confirmed that on 1 February an Ecuadoran Army colonel traveled to Atlanta, in the United States, to pay for the purchase of military equipment.

The purchase consists of light mattresses, two-man tents, mosquito nets, hammocks, utensil kits, canteens, harnesses, suspenders, knapsacks, bags, boots, camouflage gear, first aid kits, field packs, military ponchos, and jerseys. The request is for 12,000 of each article.

The entire shipment will be taken from Miami to Quito on two commercial flights in the next few days.

Moreover, the report confirms the information published by LA REPUBLICA on Saturday, 4 February, with regard to the landing of two Ecuadoran Hercules aircraft at Iquique Airport [Chile] to load weapons.

The report states that the aircraft refueled in Petrogas, Rio Branco, Brazil. One of the aircraft transporting weapons from Chile landed in Quito at 0750 on 1 February and the other at 0850 on 2 February.

It goes on to note that an Israeli weapons dealer sold Ecuador a shipment of anti-aircraft rockets that weighed 20 metric tonnes (40,000 pounds). There is no information, however, on the type and quantity of these rockets.

This shipment was scheduled to arrive in Quito from Tel Aviv on Friday, 10 February, aboard two private cargo aircraft.

Allegedly already on Ecuadoran soil are 5 million 5.56-mm projectiles acquired from Canada that were transported to Quito by an Ecuadoran Air Force aircraft.

The Ecuadoran Army's latest purchases were made in Europe and the United States.

According to the report, on 4 February "it was learned that at 'Gestape' base," in Spain, two Hercules C-130 aircraft with the Ecuadoran flag were allegedly loading the following weapons:
—7.62 x 51mm projectiles.
—7.62 x 79mm projectiles.
—60mm mortar shells.
—bombs for the destruction of runways [bombas antipistas de penetracion].
—fragmentation bombs.
—bombs with parachutes.

The intelligence agents learned in the United States that Ecuador had acquired 36 24-fold tires for the Hercules C-130 aircraft's main undercarriage, with bill of lading No. 56X20.0.20-24PR.

Ecuador had also urgently requested a U.S. supplier for an AD-55E measuring instrument for Hercules C-130 aircraft, with bill of lading No. 6223374002.

Nevertheless, the Ecuadoran defense minister, retired General Jose Gallardo Roman, has on his desk quotations from weapons suppliers awaiting approval by him and the Armed Forces purchasing committee.

It was learned that on 31 January, the Defense Ministry received a series of pro-forma invoices from weapon dealers and that the purchase of the offered weapons is being discussed currently.

One of them is an offer for anti-tank rockets worth $11 million and 30-mm caliber ammunition.

Ecuador has also received quotations for field-service uniforms, boots, jackets, and 5.56-mm ammunition from the United States and Colombia, as well as for various calibers of ammunition from the Santa Barbara factory in Spain.

Ecuadoran experts are also assessing the possibility of acquiring 15 to 18 Super Puma helicopters, worth approximately $446 million, for immediate delivery in 10 to 15 days' time.

Another offer Ecuador has received from weapons dealers concerns Russian-made Komov-50 or Komov-32 helicopter gunships, rocket launchers, and anti-tank Methis rockets.

But, undoubtedly, Ecuador's most urgent need now is German-made 5.6-mm caliber ammunition. The Defense Ministry has asked the supplier for 1 million cartridges per

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month under the condition that the supplier place the order in Ecuador 10 working days after the purchase contract has been signed.

Moreover, at the beginning of the year the Ecuadoran Air Force had sought quotations, through an important company in Washington D.C., for spare parts for its Hercules C-130 transport aircraft.

Although it is still not fully confirmed, it is know that the Ecuadoran Government allegedly sent a purchase order to the United States—more precisely, to Virginia Weapons Ammunition, Inc.,—for the following weapons:
—15 million 5.56-mm SS109 model projectiles.
—one million 0.50-mm projectiles.
—1,000 81-mm mortar projectiles.
—1,000 60-mm M-38 mortar projectiles.
—1,000 60-mm M-61 mortar projectiles.
—10,000 60-mm mortars.
—10,000 60-mm commando mortars [morteros 60 mm commando].
—3,000 fragmentation grenades.
—4,000 Law anti-tank weapons.

It was also learned that Ecuador negotiated with the United States for the purchase of tanker aircraft capable of refueling any type of aircraft in flight, but these negotiations did not bear concrete results.

The military report also states that the Defense Ministry as well as the ground forces committees for contracts approved a list of bombs and grenades to be submitted on an urgent basis to U.S. weapons dealers, among them the International Commerce and Representations C.A. (COMERICA).

The list included:
—30,000 40-mm Hede grenades for HK rifles.
—30,000 Claymore mines.
—30,000 defensive hand grenades.
—10,000 A.T. mines.
—30,000 A.F. mines.
—1,500 trickle charges for the AMX-13 self-propelled gun.
—900 ME-M203 charges for the 155-mm self-propelled howitzer.

The list also includes bullet-proof jackets, 0.50-mm cartridges, 18 million 5.56-mm FAL ammunition rounds, and 7.62-mm cartridges for A-37 aircraft mini-guns for which quotations have been supplied by various weapons dealers from all over the world, who see Ecuador as a potential client willing to spend a small fortune to become armed and continue a useless war.

The discovery of weapons concealed in heavy machinery in the port of Colon, Panama, also reveals that the Ecuadoreans have no scruples because they resort to unscrupulous weapons dealers to continue this conflict.

Another Peruvian intelligence document states that Ecuadoran citizens, pretending to be importers, have allegedly transferred military vehicles for the transportation of troops from Chile, via Tacna, as if they were commercial vehicles.

The report states: "It was learned that on 25 January, Ecuadoran citizens Luis Miguel Asturillo and Elvis Erikson Castillo took 22 Mercedes Benz and Inox military transport vehicles through the Tacna border crossing."

At the border, the two Ecuadoran citizens allegedly declared that they were commercial importers and that the vehicles, ostensibly for civilian purposes, were going to be sold at the border with Ecuador to Peruvian and Ecuadoran businessmen.

However, this is allegedly not the only group of military vehicles acquired by the Ecuadoreans. There is information to the effect that in November, 60 vehicles with the same characteristics and of the same brand had traversed the entire country from the south to enter Ecuadoran territory via the Huaquillas international bridge.

Although it does state that the vehicles came from Chile, the report does not specify how Asturillo and Castillo acquired them.

As everyone knows, in Iquique one can find for sale vehicles imported from various parts of the world, especially Korean- and Japanese-made vehicles of the most varied brands. These vehicles, sold as second-hand vehicles, are sold at prices well below those of the national market.

Many Ecuadoran businessmen constantly travel to the south to acquire vehicles.

However, the vehicles imported by the Ecuadoreans arouse much suspicion: First, because the brands are unsual in Ecuador, and second, because of the quantity acquired.

The weapons that were found by Panamanian authorities concealed in a shipment of heavy machinery bound for Ecuador were purchased by Ecuadoran military officers from neutralized members of the Farabundo Marti National Liberation Front, FMLN.

Panamanian police sources stated that the arsenal includes some 100 AK-47 rifles, RPG-7 rocket launchers, and Chinese-made grenade launchers that used to belong to the Salvadoran guerrillas.

On Monday, 6 February, three workers died at the port of Colon when they were trying to open a roller with a blow torch. The workers thought there was a signficant shipment of drugs concealed inside the machine, but instead there were bombs that detonated as a result of exposure to heat from the torch.

The Panamanian police are investigating Gustavo Lopez, allegedly the key to uncovering the details of this weapons shipment for Ecuador and the alleged contact with the inactive Salvadoran guerrilla members.

The day after the explosion, police raided the "Almacenajes S.A." Company in the town of Pueblo Nuevo, where they found an arsenal linked to the weapons accidentally found at the port of Colon.

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Lopez, arrested by the Technical Judicial Police, is allegedly a member of an international ring that deals with weapons from El Salvador. These weapons are taken by land to Panama via Nicaragua. The weapons are smuggled into Panama through the border zone known as Paso Canoa and from there to the port of Colon.

Another clue in revealing that Gustavo Lopez is a weapons trafficker is the fact that last Tuesday, 7 February, in the afternoon, police agents, together with assistant prosecutor Carlos Augusto Herrera, found more weapons concealed in the false bottom of a trailer in which the suspected trafficker lived.

The trailer was parked in the Plaza Regency shopping mall parking lot, in the heart of this capital.

The following weapons were found in the trailer: 350 packages of 30-06 type ammunition for AK-47 rifles, as well as an undetermined amount of C-4 explosives, which belonged to the main suspect, Gustavo Lopez.

From the very beginning, Lopez said that the weapons and ammunition were for the "Peruvian guerrilla members," and mentioned the Tupac Amaru Revolutionary Movement, a terrorist organization that has been practically neutralized, which only weakens his alibi.

What has been fully proven is the fact that the final destination of all the weapons was the port of Manta, in Ecuador, from whence they would be taken by land to Quito.

The shipments were to be received by citizen Jose Francisco Larrea, about whom the Panamanian authorities have requested information from their Ecuadoran counterparts.

Yesterday, a group of agents of the Technical Judicial Police returned to pier No. 8 at the port of Colon, where the explosion took place last Monday, and found machinery similar to that used to conceal Lopez' weapons in the warehouse.

It was stated that the possibility that more weapons are concealed inside this machinery has not been dismissed. Therefore, the day before yesterday it was decided to move the machinery to another site to open the rollers up, but this time taking the necessary precautions to prevent another tragedy.

Commentary Terms Itamaraty Declaration 'Shameful Episode'

PY0103015595 Lima LA REPUBLICA in Spanish 18 Feb 95 p 8

[Commentary by Cesar Hildebrandt: "Ecuador's Full Victory"]

[FBIS Translated Text] At the negotiating table Ecuador confirmed its achievements in the military field and stripped Peru of an absolute diplomatic victory at Itamaraty Palace. While dozens of Ecuadoran soldiers remain on Peruvian soil and, with their threatening presence, prevent President Alberto Fujimori from posing for the media in Tihuinza or Base Sur, [Ecuadoran President Sixto] Duran-Ballen's diplomats in Brasilia imposed their viewpoints and prevented the final document from even implicitly mentioning the pending problem of the demarcation of the border, a process that Ecuador maliciously interrupted 45 years ago.

The so-called Itamaraty "Peace Declaration" represents a shameful episode for Peruvian diplomacy and the most serious capitulation with regard to its ancestral rights over the northern border. Ecuador did not accept the word "retreat" and imposed the word "assemble," which gives it a tacit argument to claim that the disputed zone is a kind of no-man's-land. Ecuador's victory, however, is not only a semantic victory, but also a geographical and military victory: It will keep its soldiers in Coangos, beside the border it denies exists and will try to erase with facts, while Peru, incredibly, agrees to "retreat" to Watch Post No. 1, far from the zone where dozens of Peruvian soldiers died since 26 January defending a right nourished by history and sacrifices that currently seem simply betrayed.

There will have to be a future accounting for the diplomacy conducted by Efrain Goldenberg, a silent and "amateur" foreign minister. He will have to explain why Peru accepts that the triangle formed by Tihuinza, Base Sur, and Cueva de los Tayos, Ecuadoran place-names the Peruvian Government has assumed as its own, runs the risk of becoming a region of dubious sovereignty, from which Peru has withdrawn its troops and where a group of observers will set up "operation posts."

The document announces that the feuding countries "may be advised" to create a "demilitarized zone." It is obvious that this "recommendation" will be politely rejected by Ecuador and that it will maintain its position in Coangos, from where it will be able to cause its influence to gradually radiate and expand in the now international waterhead of the Cenepa River.

The most humiliating concession made by Deputy Foreign Minister Eduardo Ponce de Vivanco, who is President Fujimori's true representative, is found in Article No. 4 of the agreement. This article states that "the geographical coordinates listed in item 2"—that is, those referring to the coordinates of Coangos and PV1 [Watch Post One]—"will apply only to the above-mentioned process of demilitarization and separation of forces." Behind these unclear words lies the true and harsh fact that Ecuador managed to impose its most strategic viewpoint and does not admit that Coangos and PV1 are part of an unmovable border established by the Rio de Janeiro Protocol.

The international treaty signed in 1942 is being undermined from within. The document we are commenting on talks about the "existing impasse," thus establishing the first concession by Peruvian diplomacy regarding a matter that had always been considered "closed in 1942." Of course the word impasse, a gallicism that has been eliminated from official Spanish in the dictionary of the Spanish Royal Academy, could refer to the demarcation problem. But it is a disturbing Ecuadoran victory that this is left to the free and open interpretation of the two parties.

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While the docile television shows him triumphant and most of the media remains aloof, Fujimori changes the course of history and disdains the memory of the strange and generous country in which he lives.

Uruguay

Lacalle, in Farewell Address, Thanks Citizens for Support

PY0103022495 Lima Radio Programas del Peru Network in Spanish 0007 GMT 1 Mar 95

[FBIS Translated Text] The outgoing president of our sister nation, the Oriental Republic of Uruguay, Luis Alberto Lacalle, has just given an address to the nation in which he urged Uruguayans to continue cooperating with the new administration of Julio Maria Sanguinetti, who will assume office tomorrow. Here we have some highlights of Lacalle's speech:

[Begin Lacalle recording, in progress] ... another way of thinking, another type of public opinion. The greatest honor for any citizen on this earth is to be president of the Uruguayans. I have toiled and struggled in order to attain this position, this wonderful achievement, which is to be able to wear the presidential sash. I have tried, since that was my decision, to devote all my time, all my efforts and energy, everything I know and everything I am, to this endeavor. This is not the time to take stock of my administration, but rather to open the doors to a new period, to a new administration, which we hope will be efficacious in the search for prosperity while reasserting the social security policy we have started. It is quite befitting at the moment, though, to thank all Uruguayans for the honor they have bestowed on me in allowing me to be their president, and to tell you that the times ahead are times of fulfillment, that political life must become a struggle for excellency. This is why we hope—and we will, moreover, contribute to this—that the next administration will be a good one. Meanwhile, allow me to utter my last words as president by bidding farewell to all of you, to those whom I met in the countryside, in cities, in Montevideo neighborhoods, on pleasant as well as difficult occasions. I have experienced many happy and harsh moments in this office. I have tried to work for what I deemed was the best for our country. [end recording]

Ecuador's Duran-Ballen Arrives for Sanguinetti Inauguration

PY2802125395 Madrid EFE in Spanish 0642 GMT 28 Feb 95

[FBIS Translated Text] Montevideo, 28 Feb (EFE)—The president of Ecuador, Sixto Duran-Ballen, arrived in Montevideo today to attend Julio Maria Sanguinetti's inauguration. In remarks to EFE, Duran-Ballen announced that a possible encounter with his Peruvian counterpart, Alberto Fujimori, would depend on the attitude taken by Fujimori, who will arrive in Uruguay this afternoon.

Duran-Ballen said: "From the very beginning we wanted a cease-fire, and we believed that we had to talk, but the Peruvian president has taken other paths." In a brief chat with EFE, Duran-Ballen emphasized: "They suddenly attacked us, and we have defended ourselves with all our courage and with all our right to defend our people." The Ecuadoran president added: "An encounter with the Peruvian president will therefore depend on the sincerity of his goals of actually wanting peace and resolving the conflict."

After mentioning a possible meeting of OAS foreign ministers, the Ecuadoran president said: "We have to go step by step," because we do not want to "anticipate the failure of today's meeting."

According to an announcement made by Uruguayan Foreign Minister Sergio Abreu, an OAS conference would be called if the last mediation effort by the guarantor countries—Argentina, Brazil, Chile, and the United States—failed. The last mediation effort will be made in Montevideo this afternoon.

Duran-Ballen arrived at the Carrasco international airport after an 11-hour flight, double the scheduled time between Quito and Montevideo, due to his flight plan over Colombian, Brazilian, and Bolivian territory to avoid flying over Peru.

The Ecuadoran president came accompanied by his wife, his private secretary Santiago Aguilar, Foreign Minister Galo Leoro Franco, and a 30-man entourage.

The Ecuadoran Military Air Transport (TAME) plane landed in the Uruguayan capital at 0200 local time (0500 GMT), with a three-hour delay.

Duran-Ballen was met by Uruguayan Foreign Minister Sergio Abreu while an Air Force company paid him due honors.

The Ecuadoran president noted that in the war zone Ecuador "stands firm in its positions and, despite all that has been said, we have not yielded a centimeter."

Other Ecuadoran officials and diplomats met Duran-Ballen at the airport's VIP room. They accompanied Duran-Ballen in a 10-car motorcade, escorted by patrol cars and security guards, to the Victoria Plaza Hotel in downtown Montevideo.

Duran-Ballen occupies rooms 1718 and 1719 in the hotel, while the Ecuadoran foreign minister occupies room 1720, which is next to Duran-Ballen's room.

Rooms 1518 and 1519, two floors below, have been reserved to lodge Peruvian President Alberto Fujimori, who will arrive late this afternoon.

The Ecuadoran president plans to hold a news conference at noon today and participate in a dinner hosted by President-elect Julio Maria Sanguinetti tonight.

Duran-Ballen will attend the protocol ceremonies for President Sanguinetti's inauguration on 1 March. Duran-Ballen plans to return to his country in the afternoon of 2 March.

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Criticizes Guarantor Countries

PY2802215395 Madrid EFE in Spanish 1723 GMT 28 Feb 95

[Report by Jorge Figueroa]

[FBIS Translated Text] Montevideo, 28 Feb (EFE)—Ecuadoran President Sixto Duran-Ballen stated here today, 28 February, that the guarantor countries of the Rio de Janeiro Protocol of 1942 have been reluctant to find a final solution to the border conflict between Ecuador and Peru, "for which we have been waiting for 53 years."

Duran-Ballen arrived in Montevideo to attend the 1 March inauguration of Julio Maria Sanguinetti as president of Uruguay, replacing Luis Alberto Lacalle.

The Rio de Janeiro Protocol was signed by Argentina, Chile, the United States of America, and Brazil at the end of negotiations conducted with the two contending countries after Peru had defeated Ecuador in the war waged in 1941.

Duran-Ballen said: "At that time, the guarantors acted hastily; the United States exerted pressure to find a rapid solution to the war, and thus the document was signed. Since then, however, the guarantor countries have not taken any action designed to achieve a final and equitable solution for both Ecuador and Peru."

The Ecuadoran president said that Argentina, Brazil, Chile, and the United States have not searched for a final solution to the problem; they have not acted as protagonists, but merely as witnesses." [quotation marks as received]

According to Duran-Ballen, the Rio Protocol "overlooked the geographic reality of the mountain range. The spirit behind the protocol was to use the mountain peaks as a borderline, but it did not include the Condor Mountain Range," which is now being disputed.

Duran-Ballen said that, "for the time being," a solution to the conflict "should be sought through the guarantor countries," but "with a true desire and effort to find an agreement without overlooking the geographic reality of the region."

The Ecuadoran president reported that 28 Ecuadoran soldiers have been killed, 73 have been wounded, and two have been reported missing since the start of the armed clashes with Peruvian forces on 26 January. He added that the Ecuadoran forces shot down four Peruvian planes and four helicopters.

Duran-Ballen said: "Some of the aircraft fell in our territory and the Ecuadoran Army buried the dead Peruvian servicemen."

Duran-Ballen described as "exaggerated and out of keeping with reality" the figures disseminated by the Latin American Human Rights Association (ALDHU), which claimed that the total number of dead, wounded, and missing personnel has risen to 500.

Duran-Ballen added: "This war is leading us nowhere. This is true for Ecuador and Peru alike. It is only causing an increase in both casualties and war expenses. We must stop it, but through a sincere dialogue and not through impositions by the larger or stronger country."

Duran-Ballen expressed his desire for the meeting of the Ecuadoran and Peruvian foreign ministers with the guarantor countries in Montevideo "to pave the way toward achieving a solution." He was not, however, optimistic about an immediate agreement. He said: "We are engaged in a complex process, and I believe a solution will not be reached in the short term."

The Ecuadoran president emphasized "the need" for the two sides to observe the cease-fire agreed upon on 30 January in Brasilia, "notwitstanding which we are sustaining daily attacks—some more intense than others—launched by the Peruvian forces."

Duran-Ballen said that since the start of the conflict, "I have held several telephone conversations with Peruvian President Alberto Fujimori to attempt to stop the military actions, but I was confronted with his intransigent position."

Despite all this, Duran-Ballen said that, "if the on-going negotiations pave the way toward an understanding, the two presidents must be ready to meet and to put an end to the conflict." Otherwise, he said, a meeting with Fujimori "would be just a waste of time."

Sanguinetti Interviewed on Peru-Ecuador, Mexico, Politics

PY0103035395 Sao Paulo VEJA in Portuguese 22 Feb 95 pp 9, 10, 11

[Interview with President-elect Julio Maria Sanguinetti by Joao Fabio Caminoto in Montevideo; date not given]

[FBIS Translated Text] [Caminoto] Latin America is facing the debacle of the Mexican economy, lives in fear that Argentina will go bankrupt, and is witnessing a war between Peru and Ecuador. Will South America find its way?

[Sanguinetti] The problem lies in Latin Americans' cyclical character. We easily swing from euphoria to deep depression. It has always been like that. Six months ago, we thought we were in the First World, which was just a mere illusion. At present, we already feel like the scum of the earth once again.

[Caminoto] In which of the two worlds are we, then?

[Sanguinetti] In neither. We are enmeshed in a crisis, but this bears no comparison whatsoever with the dark ages of dictatorship, of economic irrationality, with oscillation between political voluntarism and military reaction. If we compare the current crisis with the external debt crisis of 1982, we will see that there is a fundamental difference. This time, the United States intervened in this affair and stayed the crisis. Latin America, with its now-consolidated democracies, is a region that cannot be despised. Brazil is a great example of this because it went through critical

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situations, but overcame them without experiencing turbulence. You may rest assured that we have not returned to hell.

[Caminoto] What are the lessons derived from the Mexican crisis?

[Sanguinetti] The Mexican situation shows us that a country's economy cannot just follow a laboratory formula. If this were so, one would only have to keep a healthy balance of payments position to solve everything without caring about the deficit in the balance of trade. In the medium term, this proved to be a mistake—one day the carousel of financial speculation encounters an obstacle, and a crisis ensues. This is what happened in Mexico, and it should be a lesson for all of us. We discovered that there are no shortcuts on the path toward development.

[Caminoto] What is the path, then, for South American economies?

[Sanguinetti] We must adhere to certain basic truths. I am not an expert in economics, but I have years of political experience behind me, which have taught me that certain theories that purport to be the real thing generally lead to major tragedies. We are well aware that a great fiscal deficit gives rise to critical situations, that it is important to have a balance-of-trade equilibrium, that price and wage freedom is central, and that government subsidies ought to be eliminated. Hence, we have to accomplish all this, and do it soon.

[Caminoto] Are you also afraid that the Mexican crisis will trigger a domino effect in the Argentine economy?

[Sanguinetti] I can speak about Uruguay if that should happen. Situations in Argentina, which has already gone through very difficult moments, have never sparked a chain reaction in Uruguay. Argentina has already faced euphoric and disastrous situations and nothing has happened here.

[Caminoto] Is it inevitable that a crisis will hit Argentina?

[Sanguinetti] I hope it will be able to weather the storm in which it finds itself at present. The government is acting with a lot of rigor and seriousness. I think that the problems confronting Argentina can be surmounted.

[Caminoto] Mr. Sanguinetti, you were elected on a platform that departs from the neoliberal model that was so successful in Latin America over the last decade. What do you have against neoliberalism?

[Sanguinetti] No country can be governed by following a dogmatic set of principles. Each country has a history and characteristics that make it different from others. This was the cardinal error of socialism, since it wanted to manage everything by applying a theory that was universal and erroneous. According to the socialist doctrine, it would be possible to control the history of peoples and cultures as disparate and far apart as those of China, Cuba, and Mozambique. Neoliberalism picked up the laissez-faire policy, i.e. the idea of the market economy, private poverty, the importance of individual competitiveness, and risk. This is all very good. The problem is to transform all these concepts in dogmas. Neoliberalism errs when it says that the market is always more efficient than the state regardless of the characteristics of each economy. This is the opposite mistake of that of the socialists, who deemed that the state was always better than the private sector in all circumstances. Obviously, one cannot do away with the role of the state overnight in economies that have for centuries been under state control, as is the case with the Latin American economies.

[Caminoto] And what would be the role of the state?

[Sanguinetti] There was a time when the state was omnipresent in the economy. The government played the role of producer, industrialist, and tradesman. Nowadays, in a world in which private capital is increasingly mobile and powerful, that state no longer exists. Nevertheless, one does not have to be carried away with the idea that the state has no important tasks to perform. It still has the role of offsetting society's imbalances so that the latter may continue functioning. The state can no longer plan the market, but it must ensure the market keeps operating. The state, for example, is the only body capable of combating and correcting distortions caused by monopolies.

[Caminoto] Where does the problem lie—in neoliberalism or in Latin American countries, which do not seem to adapt themselves to its recipes?

[Sanguinetti] Orthodox neoliberalism was a failure everywhere, not only in Latin America. Its first and major laboratory was the United Kingdom, and it came to an end with Margaret Thatcher's downfall. The theoretical view that neoliberalism was a response to the end of socialist dogmatism is ancient history now.

[Caminoto] Mr. Sanguinetti, do you really believe it is possible to end Latin American backwardness?

[Sanguinetti] We should cease being so masochistic. We are a backward people in some things, but in others we are not. The Americas have always been the cradle of generous and broad-minded ideas. Unfortunately, Europe spawned Fascism, Nazism, and Communism, the three most terrible aspects of totalitarian thought.

[Caminoto] Could the conflict between Peru and Ecuador mean a return to "nationalist short-sightedness" in the hemisphere, to quote writer Mario Vargas Llosa?

[Sanguinetti] That conflict is a most sad thing, but it is an isolated situation. When we see the evils of war affecting these two peoples, we understand that this situation must be solved at the negotiating table. Bloodshed is the worst thing on earth.

[Caminoto] Following your victory in the polls, Mr. Sanguinetti, you adopted a cautious stance on Mercosur [Common Market of the South]. Why is this so?

[Sanguinetti] Uruguay is the smallest country within the Mercosur, but has a greater burden as regards social security and social contributions. Our country does not wish to retrace its steps in these social conquests, but it has to compete with larger economies like the Brazilian one.

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Herein lies our challenge. If you compare the cost of construction and a construction worker's wages in Uruguay with those in Brazil, you will see there is a great difference. How, then, can we maintain our social levels without losing competitiveness? This leads us to a specialized agriculture and industry. Given our territorial constraints, we cannot produce anything on a large scale. The solution is to produce moderate quantities of extremely varied articles that meet specific market demands. We must gamble on the search for quality and market segmentation and specialization.

[Caminoto] Is Uruguay not afraid of being massacred by Argentina and Brazil in the Mercosur?

[Sanguinetti] No, because Uruguay has been furthering economic opening for a longer time than its partners. Argentina and Brazil were very closed economies until fairly recently. We have already managed to export woolens to the United Kingdom, cheese to the United States, and tanned leather to France. I do not see why we cannot do the same thing within the Mercosur. What would be senseless would be to compete with the strongest industries in Brazil and Argentina.

[Caminoto] Uruguay has always been considered as a tax haven, where Brazilians and Argentines use to launder money of dubious origin. Does Uruguay live up to this fame?

[Sanguinetti] Uruguay is not a tax haven because the burden of taxation is indeed heavy. A tax haven is a country having low taxes which basically lives on the inflow and outflow of financial resources. A characteristic of our country is that there has always been freedom of financial movement, like in Switzerland, but this is a totally different thing.

[Caminoto] Do you intend to combat the presence of illegal money in your country?

[Sanguinetti] The existence of illegal money is a calamity that must be combated by all. We have no evidence that there are extraordinary movements of illegal money in Uruguay. It is quite common to hear that there is absolute bank confidentiality here, which is not true. Justice can do away with that confidentiality, as it does every day in such trivial matters as divorce lawsuits.

[Caminoto] And the drug money?

[Sanguinetti] That is another issue. We can in no way let ourselves be influenced by false accusations leveled sometimes by the United States or other leading nations. It is there that drug trafficking and money laundering reach incredible proportions. Sometimes we are victims of a Third World rating that considers us guilty of problems, the root cause of which can generally be traced back to industrial countries. We are well aware that the Medellin cartel did not originate in Colombia, but rather in the streets of New York.

[Caminoto] Uruguay is the largest exporter of gold in Latin America, nearly all of which is smuggled from Brazil. Will this situation continue unchecked?

[Sanguinetti] Gold, a metal having monetary value, has always passed through our country unhampered and will continue to do so. We will see what we can do concerning illegal actions. Perhaps Brazil should do something about this.

[Caminoto] President Carlos Menem is a severe critic of Fidel Castro, while the Brazilian Government's stance on the Cuban regime is more flexible. Which will be your position?

[Sanguinetti] I am not going to compare the Argentine position with the Brazilian one. Uruguay wants a solution for Cuba that is conducive to the establishment of a full democracy and the respect for human rights. Fidel Castro or any other Cuban officials are not in question here. The problem is the Marxist system, a system which proved to be in the wrong in all its different variations throughout the world. We have always upheld the principle of nonintervention regardless of the country, even if it is a dictatorship. I do not believe in the effectiveness of blockades or embargoes because they are more of a hindrance than a help, since they only serve to strengthen authoritarian governments. If we want to do something so that Cuba effects changes, we have to lift the embargo, eliminate restraints.

[Caminoto] What is your assessment of Fernando Henrique Cardoso's administration so far?

[Sanguinetti] It is positive. Cardoso is a modern ruler for modern times. He represents all possible solidarity at a time of economic pragmatism.

[Caminoto] Cardoso's popularity has already declined. Is this not too soon?

[Sanguinetti] Those shifts in popularity are a common occurrence in a democracy; just look at what happens with President Clinton, whose popularity keeps shifting all the time. Popularity trends recorded by public opinion polls are artificial and secondary elements, which are overvalued by the circumstantial political fray. One cannot cure a sick person by taking his temperature every half an hour because one would go crazy. I have no doubt whatsoever that the Brazilian Government will be successful in stabilizing its economy and maintaining its growth rates. Only then will it be able to come to grips with the country's social problems. It is impossible to solve social problems without money, simply because one cannot distribute what one does not have.

[Caminoto] The growth of the left is seen as a reflection of the dissatisfaction of a considerable number of Uruguayans with the traditional Blanco and Colorado parties. Can the left win the next elections?

[Sanguinetti] I do not think that within a period of five years, the country will support ideas that are already anachronistic at present. What has happened is that Uruguay used to be a social utopia. Many people still cling to that utopia and do not understand that in order to salvage the basis of our social system, we must reform it. Otherwise, we will indeed be confronted with a serious crisis.

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[Caminoto] Social security is becoming a problem in all countries, including Brazil and Uruguay. How can this problem be solved?

[Sanguinetti] Uruguay's demographic situation is like that of an industrial country, with low birth rates and higher life expectancy. This situation has become more marked over the last few years. We cannot turn a positive thing into a tragedy. We cannot consider living longer and with a better standard of living and quality of life a disgrace. In Uruguay, social security expenditures represented 10 percent of GDP in 1984. At present, they account for more than 15 percent. Twenty years ago, there were four workers for each pensioner. Nowadays, this ratio has declined to 1.5. We must put an end to this crisis. This is why we made a very clear proposal during the election campaign. We cannot tamper with pensioners' current rights. We will make changes for the future. A mixed social security system with public and private funds would be a way out.

[Caminoto] Why not privatize it?

[Sanguinetti] We must be very careful in this matter. Experience shows—and the United States is an example of this—that if the state washes its hands of the social security system, it ends up by covering the deficits incurred by private health care plans in the future. The important thing, then, is to change the system—for example, by raising the retirement age, which can no longer be 55 for women and 60 for men as in the past, when life expectancy was an average of 60 years of age, because life expectancy at present is 73. Still, we must maintain a system of solidity.

[Caminoto] Uruguay is wont to solve important questions, like that of the social security system, through plebiscites. Will this continue during your administration?

[Sanguinetti] Uruguay has a plebiscite system involving two types. One cannot amend the Constitution without holding a plebiscite. This, I think, is something positive. A plebiscite can also be used, with some restrictions, as a recourse against laws. As with all things in life, when one abuses something, it ends up by losing its value. We have somehow abused deciding things by plebiscite.

Venezuela

Government To Declare State of Emergency in Apure, Amazonas

PA2802220495 Madrid EFE in Spanish 1939 GMT 28 Feb 95

[Report by Victor Hugo Carvajal]

[FBIS Translated Text] Caracas, 28 Feb (EFE)—The Venezuelan Government will declare a "state of emergency" in the border region where a Colombian guerrilla column destroyed a military post and killed eight marines on Sunday, an action that has been categorically rejected by all parliamentary groups in Caracas.

Pompeyo Marquez, chairman of the National Border Council, a ministerial-level post, said: "The emergency declaration means the state will increase its presence in the region where the guerrilla attack occurred, not only with military forces but also with economic and social actions that facilitate development."

He explained that the advisability of declaring a "state of emergency" in the border zones of Apure and Amazonas States will be discussed at the next cabinet meeting.

The proposal will surely be supported by the Armed Forces and the parliamentary representatives of the main political parties, whose leaders have condemned and rejected the bloody guerrilla attack and supported President Caldera's demand of his Colombian counterpart, Ernesto Samper, to take "strong and efficient action against the guerrilla groups."

German Monzon, chairman of the Chamber of Deputies' Defense Committee and a member of the ruling National Convergence party, said he will request a statement from Congress condemning the aggression and requesting definite action from the Colombian Government to end the guerrilla attacks on Venezuelan territory.

"The Colombian Government cannot keep saying this is only a guerrilla problem. As far as we are concerned, these attacks come from the neighboring country, regardless of who perpetrates them, and the Colombian authorities must answer to Venezuela for the loss of human lives," Monzon said.

Meanwhile, Senator Hilario Cardozo of the opposition Social Christian Party, Copei, said it is time the Colombian Government proceeded with the greatest diligence to stop the guerrilla actions.

He added that the two countries' Armed Forces must implement what has always been discussed but never done—coordinate actions to fight the guerrilla groups and bands of drug traffickers and criminals who operate along the border, which is over 2,000 km.

Deputy Luis Esculpi of the Movement Toward Socialism (MAS) said this attack is one of the most serious, not only in terms of the number of deaths but the brutality with which it was carried out. Esculpi fully supported President Caldera's conduct toward Colombia.

Deputy Aristides Hospedales of the leading opposition Democratic Action party (AD) said this event must not affect relations between the two countries, but the important thing is for "Colombia to realize that many Venezuelans die in a war that is not ours."

Vice Admiral Jesus Enrique Briceno, commander general of the Navy, said the Cararabo River post had a garrison of 31 military, eight of whom were killed and 12 were injured.

He added that the guerrilla column was comprised of irregular members of the Simon Bolivar Coordinating Board, basically made up of the Revolutionary Armed Forces of Colombia (FARC), which has communist tendencies, and the Army of National Liberation (ELN), which is pro-Castroite.

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He also said the bilateral military operation launched to search for the guerrilla column, made up of approximately 90 irregular members, is still in the jungle at the border between the two countries.

Unofficial reports indicate the guerrilla column has probably split into small groups to avoid detection and evade the persecution and cordon that the Venezuelan and Colombian regular forces are trying to establish.

Minister Agrees To Create Economic Cabinet With Colombia

PA2702233195 Caracas ECONOMIA HOY in Spanish 23 Feb 95 p 9

[FBIS Translated Text] The Colombian and Venezuelan economy ministers, who met last week in Santa Fe de Bogota, agreed to create a Colombian-Venezuelan economic cabinet to discuss the development of their industrial and foreign trade policies, Development Minister Alberto Poletto reported during a forum organized by Fedindustrias [Federation of Industries] to analyze the prospects for small and medium-sized industries (PYMI) in Venezuela.

The idea is that the binational cabinet and businessmen meet every three months to exchange views on foreign trade matters.

Development Minister Poletto and Cordiplan [Office of Coordination and Planning] Minister Werner Corrales attended the Santa Fe de Bogota meeting, along with 15 Venezuelan industrialists. They reviewed the flight of Venezuelan agricultural products to Colombia because of the low prices of these products in Venezuela.

In addition, they discussed the problem stemming from the Venezuelan iron and steel exports to Colombia. According to Poletto, the Venezuelan delegation was able to prove that local exports were not causing a problem for Colombia, because other iron and steel companies belonging to the secondary scrap metal market have been entering the market in the last few years. This is why there are no justifications whatsoever for the implementation of safeguards [salvaguardas] or export quotas.

The agenda also included a meeting with the Colombian foreign trade minister, the presidents of Bancoldex [Bank of Foreign Trade] and Proexpo [Export Promotion Fund], and the ICE [Foreign Trade Institute] director to obtain information on what the neighboring nation is doing to promote exports. They also discussed all aspects of the upcoming approval of the creation of the Venezuelan Foreign Trade Bank [Bancoex].

Commercial Attaches

Poletto used the meeting with PYMI representatives to again present the programs planned by the Industry and Commerce Ministry (MIC) and Bancoex. Those organizations will help establish economic foundations to attain the goals of the Ninth National Plan regarding the promotion and implementation of changes in the productive sector.

The idea is to promote competition through sector-by-sector industrial policies. When discussing this point, Poletto stressed measures proposed for the automotive and chemical industries.

He announced that substantial industrial policies are being prepared in the agro-industrial, metal products, and iron and steel sectors and will be unveiled in forthcoming weeks.

For Poletto, the plan to develop support policies for the industrial sector on a sector-by-sector basis is one of the main achievements of the Ninth National Plan, which is different from previous neoliberal policies because "here, development is being advanced by anyone who is capable and by any means possible."

In terms of prices, Poletto indicated that the two sides are continuing to advance the coordination process, which includes an intrinsic reduction in sales margins [margenes de comercializacion], depending on the product's circulation level.

Regarding parking rates, Poletto said there are ongoing talks with parking lot proprietors to reach agreements on price adjustments as well as on improvements in this service, following Covenin's [expansion unknown] regulations.

On the threats made by parking lot proprietors, who have said they were willing to cut back service or even paralyze it, Poletto was emphatic in stating that this is a public service and that no abuses will be tolerated in this sector.

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